THE FREEMAN
Ideas On Liberty
July/August 2004 Vol. 54, No. 6

2 *FROM THE PRESIDENT*—The WHO Global Treaty on Tobacco: A Smokescreen for More Government Control *by Richard M. Ebeling*

4 *PERSPECTIVE*—Whose Airwaves Are They? *by Sheldon Richman*

FEATURES

6 The Lasting Legacy of the Reagan Revolution *by Richard M. Ebeling*

8 A Busybody Behind Every Tree *by James L. Payne*

10 To Understand Change, Learn from History *by John Hood*

15 The Most Insidious Tax *by Dale Haywood*

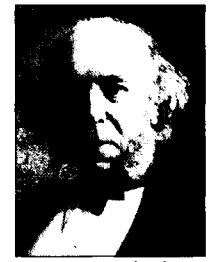
17 Borders and Liberty *by Andrew P. Morriss*

23 The "Big" We Really Need to Beware *by Wayne Dunn*

25 Herbert Spencer: Libertarian Prophet *by Roderick T. Long*

31 Education Is the Effect, Not the Cause, of Affluence *by Jude Blanchette*

35 Tariffs Are Legal Plunder *by Dean Russell*



Herbert Spencer

COLUMNS

13 *IDEAS and CONSEQUENCES*—Free Markets Blossom in Vietnam *by Lawrence W. Reed*

21 *THE THERAPEUTIC STATE*——"A House of Aces" *by Thomas Szasz*

29 *OUR ECONOMIC PAST*—Why Did the National Road Fail? *by Burton Folsom, Jr.*

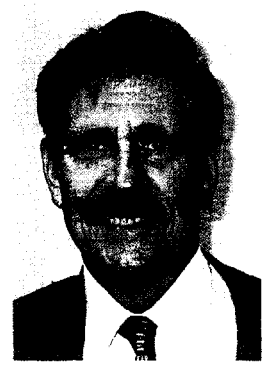
47 *THE PURSUIT OF HAPPINESS*—The Public and the Unions *by Charles W. Baird*

BOOK REVIEWS

40 **Gulag: A History** by Anne Applebaum, reviewed by Richard Ebeling; **Diversity in America: Keeping Government at a Safe Distance** by Peter H. Schuck, reviewed by Peter W. Wood; **The Rule of Lawyers: How the New Litigation Elite Threatens America's Rule of Law** by Walter K. Olson, reviewed by George C. Leef; **The Language Police: How Pressure Groups Restrict What Students Learn** by Diane Ravitch, reviewed by Martin Morse Wooster

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004



by Richard M. Ebeling

The WHO Global Treaty on Tobacco: A Smokescreen for More Government Control

On May 10 the U.S. government signed the World Health Organization's (WHO) global treaty on tobacco control. While the treaty still has to be ratified by the Senate before it becomes the law of the land, Health and Human Services Secretary Tommy G. Thompson declared at the signing: "President Bush and I look forward to working with the WHO and other member nations to implement this agreement." Only when you actually read the "WHO Framework Convention on Tobacco Control" does it become clear that full implementation would involve even more government abridgments of the liberties of the American people.

Can smoking potentially cause serious health problems? Yes. Does the smoke from cigars and cigarettes often irritate nonsmokers? Yes. But the affirmative answer to these questions does not answer more fundamental questions: Should government interfere with the production, sale, and consumption of tobacco products? Is it the government's duty to use taxpayers' money to propagandize for nonsmoking or to use its taxing powers to manipulate the costs of smoking?

In the free society the role of government is to secure our lives, liberty, and property. It is not the responsibility of government to "re-educate" us into a "healthy lifestyle," to prohibit or restrict our voluntary choices and interactions with others, or to protect our children from bad or undesirable influences and habits—the latter is the responsibility of parents and the voluntary associations of civil society.

A free man is at liberty to decide what he will eat, drink, read, watch, and listen to. A free man is at liberty to take risks with his money when he invests, with his career choices when he decides on an occupation, and with his life when he participates in sports that challenge his physical abilities or when he decides what pleasures of the present are worth the possibility of a shorter and less healthy life in the future. And a free man, by logical extension, is at liberty to decide to smoke and in what quantities.

Certainly other free men are equally at liberty to reason, argue, and attempt to persuade him by their own example that his choices may be less than the most desirable. But in the free society these men have no right to force him to follow their conception of better living—whether they do so as private individuals or through government.

Once we go down the path of coerced morality and decision-making, there is no logical end to it. Decades ago the Austrian economist Ludwig von Mises pointed out:

> A good case could be made out in favor of the prohibition of alcohol and nicotine. And why limit the government's benevolent providence to the protection of the individual's body only? Is not the harm a man can inflict on his mind and soul even more disastrous than any bodily evils?

Richard Ebeling (rebeling@fee.org) is the president of FEE.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Why not prevent him from reading bad books and seeing bad plays, from looking at bad paintings and statues and from hearing bad music? . . .

These fears are not merely the imaginary specters terrifying secluded doctrinaires. It is a fact that no paternal government, whether ancient or modern, ever shrank from regimenting its subjects' minds, beliefs, and opinions. If one abolishes man's freedom to determine his own consumption, one takes all freedoms away.

What too many people fail to understand is that the free marketplace is the best avenue for reducing interpersonal frictions and harmonizing the diverse ideals and desires of men. In the voluntary society, people develop the custom of courtesy and polite regard for others. In the old days it was common practice for a smoker to ask others in an enclosed space whether they minded if he lighted up; and if they did, the smoker refrained from smoking or moved to another area so as not to disturb the nonsmokers.

One of the benefits of the free market is that it facilitates a plurality of likes and dislikes. A restaurateur is concerned with attracting as many customers as possible to his establishment. Thus he must be sensitive to what pleases them during a meal. His own self-interest, depending on his existing or potential clientele, will lead him to make his place of business smoking, nonsmoking, or some reasonable mixture of both. And restaurant employees in the free society, based on the owners' choices in this matter, will make their own decisions about the environment in which they wish to work, given the wages and work conditions offered on the market.

Diverse Tastes Accommodated

These tradeoffs and diverse opportunities, while perhaps never to anyone's complete liking, succeed in meshing society's heterogeneous tastes, unlike a system in which one individual imposes his desires on others.

If the WHO treaty is ratified, the United States could become even more authoritarian in the campaign against smoking. The government would be expected to spend even more taxpayer money not only to dissuade people from smoking, but also to subsidize the shift of tobacco growers into other, more acceptable lines of work. The government also is expected to use tax and pricing policies even more aggressively than at present to raise the cost of tobacco.

The rationale is that the young and the poor are too easily manipulated by the tobacco manufacturers to be left without the paternalistic hand of government. Indeed, the treaty requires member governments to prohibit the manufacture of any "sweets, snacks, toys or any other object in the form of tobacco products which appeal to minors."

Governments are urged to abolish or further restrict the tobacco companies' right to advertise anything positive about their products, while demanding that they carry even larger labels to persuade people not to buy tobacco. Furthermore, since the United Nations' 1966 "International Covenant on Economic, Social and Cultural Rights" states that "it is the right of everyone to the enjoyment of the highest attainable standard of physical and mental health," the WHO treaty insists that every member government provide medical coverage to all those afflicted with an illness assumed to be caused by tobacco.

The treaty emphasizes the need for member governments to use international organizations to control and reduce the production, transportation, and sale of tobacco products around the world. And, of course, the treaty brings into existence a new bureaucracy—"a permanent secretariat"—to coordinate the global antismoking police action.

Oh, and what is the response of the politicized antismoking lobby in the United States to the government's signing of the WHO's tobacco-control treaty? That it doesn't go far enough! □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty

Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone: (800) 960–4FEE; (914) 591–7230
Fax: (914) 591–8910; E-mail: freeman@fee.org
FEE Home Page: www.fee.org

President: Richard M. Ebeling

Editor: Sheldon Richman

Managing Editor: Beth A. Hoffman

Editor Emeritus
Paul L. Poirot

Book Review Editor
George C. Leef

Columnists

Charles W. Baird
Donald J. Boudreaux
Stephen Davies
Burton W. Folsom, Jr.
Robert Higgs
Lawrence W. Reed
Russell Roberts
Thomas Szasz
Walter E. Williams

Contributing Editors

Doug Bandow
Norman Barry
Peter J. Boettke
James Bovard
Thomas J. DiLorenzo
Joseph S. Fulda
Bettina Bien Greaves
John Hospers
Raymond J. Keating
Daniel B. Klein
Dwight R. Lee
Wendy McElroy
Tibor R. Machan
Andrew P. Morriss
Ronald Nash
Edmund A. Opitz
James L. Payne
William H. Peterson
Jane S. Shaw
Richard H. Timberlake
Lawrence H. White

Foundation for Economic Education
Board of Trustees, 2004–2005

David Humphreys
Chairman

Henry M. Bonner
Lloyd Buchanan
Frederick C. Foote
Dan Grossman
Walter LeCroy
Kris A. Mauren
Paige K. Moore
Tom G. Palmer
Roger Ream
Andrea Millen Rich
Sally von Behren
Guillermo M. Yeatts

The Freeman is published ten times a year by the Foundation for Economic Education, Irvington-on-Hudson, NY 10533. FEE is a non-political, non-profit educational champion of private property, the free market, and limited government.

A simple contribution of $39 or more annually will bring each issue of *The Freeman* to your door. For foreign delivery, please add $10.

The Freeman is available on microfilm from University Microfilm International, 300 North Zeeb Road, Ann Arbor, MI 48106.

Copyright © 2004 Foundation for Economic Education. All rights reserved. Reproduction or use, without permission, of editorial or graphic content is prohibited.

PERSPECTIVE

Whose Airwaves Are They?

The heat is being turned up on radio stations for broadcasting indecent material. The Federal Communications Commission (FCC) has fined Clear Channel Communications nearly half a million dollars for broadcasting several minutes of lewd remarks by radio star Howard Stern back in April. Clear Channel has since stopped carrying the program on its six stations. The FCC is also investigating whether to impose fines on Infinity Broadcasting, a unit of Viacom, which broadcasts Stern's program on 18 stations and distributes it to others. Stern has not been the only target. Congress has also joined the battle to clean up the airwaves.

Which brings up a question that hardly anyone seems interested in: Whose airwaves are they? The standard answer is that they belong to the public. Throughout the debate over what can and cannot be broadcast, no one has questioned that premise. Even people who ordinarily extol private property as a pillar of Western civilization are strangely enthusiastic about collectivism when it comes to the broadcast spectrum. In a statement typical of those battling indecency, L. Brent Bozell III, president of the Parents Television Council, asks, "Why does the FCC ignore its Congressionally mandated role to enforce broadcast decency standards over the publicly owned airways?"

Isn't something out of kilter when the world's reputedly paradigmatic capitalist country has public ownership of this resource? There is nothing peculiar about the broadcast spectrum to justify collectivization. The spectrum was not a resource until particular individuals discovered its usefulness. That required scientific and entrepreneurial insights: namely, that sounds and later pictures could be delivered through the air, and that people would be willing to pay (even if indirectly) to receive them. The risk-taking involved is easy to overlook now.

What did the pioneers of broadcasting get for their trouble? Government appropriation and licensing of that revolutionary resource.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(This is not to ignore that some of the early titans of broadcasting reaped benefits from the government's takeover of the spectrum.)

It almost didn't work out that way. When the first radio broadcasters commenced, they sometimes interfered with each other. Aggrieved parties did what Americans always do when they believe their property has been violated: They went to court. The courts, quite naturally, began to apply the common-law principles of trespass to resolve the disputes. Formal property rights were beginning to emerge.

But in the 1920s the federal government got into the act. Then-Commerce Secretary Herbert Hoover, who oddly has a reputation as an advocate of individualism and laissez faire, began by unilaterally regulating the airwaves. Next he engineered the Federal Radio Act of 1927, which authorized a new government agency to parcel out the spectrum to licensees. (Yes, it could have been worse: Hoover could have set up a state broadcasting monopoly.) With the authority to issue and revoke licenses came the power to impose obligations on broadcasters, such as the equal-time rule, the fairness doctrine, the restrictions on indecency, and the prohibition of obscenity. Theoretical ownership by the public always means actual control by government.

The last 20 years have seen some relaxing of the rules, but few people have seriously questioned the socialized status of the airwaves. With good reason people worry about what they and their children might be exposed to on radio and television, and I don't mean to minimize that concern. But I do mean to say that collective—that is, government—ownership is an illegitimate solution in a free society.

* * *

Former President Ronald Reagan died in June. Richard Ebeling assesses the Reagan legacy.

Government enjoys meddling so much, it even interferes when people are doing what it wants them to do. James Payne has an example.

With freedom comes change. As John Hood says, it's important to look for the upside as well as the downside.

The right to property is subtly eroded every day by the agency that's supposed to protect it. Dale Haywood explains.

We hear much about borders these days, but few notice how they really protect liberty. Andrew Morriss explores this unappreciated feature.

We're often urged to fear bigness when it comes to business. But as Wayne Dunn points out, we wouldn't have to worry about that if the size of another entity were brought under control.

Has any political philosopher been more demonized than Herbert Spencer? Roderick Long demonstrates that the great classical liberal deserves better.

The International Labor Organization has a history of endorsing government intervention in all ways. So Jude Blanchette wasn't surprised when the ILO called for beefing up government schooling in the developing world.

In this month's FEE Timely Classic, the late Dean Russell revisits some of Frédéric Bastiat's great writing on free trade and protectionism.

Our columnists spared no effort in finding compelling topics. Richard Ebeling reflects on a global tobacco treaty. Lawrence Reed reports on his trip to Vietnam. Thomas Szasz surveys the mental-health landscape after 300 years of "psychiatric reforms." Burton Folsom tells the story of the National Road. Charles Baird weighs support for unions in the United States.

Books coming under scrutiny this month deal with the Gulag, diversity, lawyers, and the inoffensive language of textbooks.

—SHELDON RICHMAN

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

The Lasting Legacy of the Reagan Revolution

by Richard M. Ebeling

Former President Ronald Reagan passed away June 5 at the age of 93. Both while he was in office, from 1981 to 1989, and in the years since, Reagan has been loved and adored by many on "the right" and hated and ridiculed by most on "the left." During his years as president he represented a new beginning for advocates of individual freedom and limited government, while those who cherish and worship paternalistic government viewed him as an ignorant and dangerous buffoon, a has-been actor who "played" at being president.

As recent books have shown, Reagan was far from the uninformed dunce that many modern-day liberals considered him to be. He was thoughtful, well-informed, and knowledgeable about the core principles of free-market economics. Among his favorite economists were the nineteenth-century French classical liberal Frédéric Bastiat and twentieth-century "Austrian" economists Ludwig von Mises and Henry Hazlitt. For many years he was a regular reader of *The Freeman*.

In fact, Reagan's acquaintance with the Foundation for Economic Education dates back to the late 1940s and early 1950s. He attended a lecture delivered by the late Leonard E. Read, the founder of FEE, asking some pointed questions about the freedom philosophy and its application to the problems of America. He soon was regularly reading FEE's material to develop his own understanding of the case for liberty and the free market.

As a result, Reagan was not fooled or taken in by the emotional and illogical rationales for government regulation and socialist central planning. When in the 1980s he called the former Soviet Union an "evil empire," he understood the nature of that communist regime far better than the vast majority of the left-of-center academics of the time. Many Soviet dissidents cheered when a Western leader finally "told it like it was." Some of his advisers and handlers did not want him to declare, on a trip to Berlin, "Mr. Gorbachev, tear down this wall." But he did it anyway.

Early in his administration, he also showed political principle and courage when he faced down the air-traffic controllers who had gone on strike in violation of federal law. When they wouldn't return to work, Reagan fired them. Replacements were soon trained and hired, with no danger to the safety of the skies. After decades of trade-union power and intimidation throughout the American economy, a U.S. president had stood up to the labor unions and not blinked. Union power and disruption were never the same again.

Unfortunately, much of the domestic agenda that Reagan had articulated in the presidential campaign against Jimmy Carter in 1980 and in the first months of his admin-

Richard Ebeling (rebeling@fee.org) is president of FEE.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

istration was either abandoned or modified as the years went by. In fact, in the April 1981 issue of the Cato Institute's *Policy Report*, I critically evaluated the backpedaling and policy reversals that were already occurring after just a handful of weeks in office. I bemoaned the Reagan administration's failure to eliminate federal departments, cut spending across the board, or reduce the degree to which government pervaded the private sector.

I concluded my analysis by despairing: "By following the course he seems to have marked out for his administration, President Reagan has assured that long after he's gone the corrupting hand of the Interventionist State will still be with us." And, unfortunately, when Reagan left office the size of the federal government was not much different from when he came in, and it has continued to grow ever since.

Watershed in America

Nonetheless, Ronald Reagan's years in office represented a watershed in post-World War II American history. Nineteen-seventies America under Jimmy Carter was suffering from what was widely thought of as a "malaise." The U.S. economy was experiencing the supposedly strange phenomena of "stagflation": higher and higher price inflation matched by economic stagnation symbolized by relatively high unemployment. The standard Keynesian quack medicines of bigger budget deficits and monetary expansion with artificially low interest rates offered no remedy for the country's ills.

At the same time, the apparent growth of Soviet influence around the world challenged the idea of freedom's superiority over collectivist tyranny. A French conservative social critic, Jean-François Revel, even penned a book titled *How Democracies Perish*, suggesting the imminent demise of free government and the open society around the world, including in the West.

Ronald Reagan refused to capitulate to the intellectual and psychological trends of the time. He had unswerving confidence in the power of ideas in the cause of freedom. He insisted that government was the problem, not the solution. He spoke with ease and persuasiveness about the creative energy of free men in free markets. He argued that government taxing and spending were sapping the strength of the American people and their ability to find private-sector solutions to the supposed array of "social problems." He reveled in the conception of the free and responsible individual.

Month after month, year after year, in spite of the practical compromises he made in the everyday politics of Washington policymaking, he continued to exude a firm and confident belief in the original founding ideas of the American Republic. Through his rhetoric and easy-going style of speaking to the American people, he slowly helped to make the conservative/classical-liberal/libertarian worldview legitimate and respectable again in public debate, and even in intellectual and academic discourse.

Under Ronald Reagan's stewardship, the dark spell of collectivism, interventionism, and welfare statism that had dominated the ideological and political landscape of America since FDR's New Deal days was finally broken. No one could any longer say that well-intentioned government could be trusted with unlimited and discretionary power to cure the problems of society.

Herein lies the profoundly important and lasting legacy of the Reagan Revolution. It may not have succeeded in dramatically changing the immediate course of American economic policy, but it assisted in the radical transformation of the political, philosophic, and economic terms of the debate about man, society, and the role of government.

This, in my estimation, is what makes Ronald Reagan the most important president in United States history during the last 60 years. His joyful confidence in human freedom and the free market created the climate that may yet enable liberty to once again triumph in America and around the world. The spirit of his words once more has shown that, indeed, ideas have consequences. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

A Busybody Behind Every Tree

by James L. Payne

If you happen to be flying into Reagan National Airport in summertime and look out the window, you will see that the suburbs of Washington, D.C., are heavily wooded. In many sections the trees are so thick it's difficult to believe there are houses, let alone a major city, below.

How did this suburban forest come about? What preserves it year after year? Most people would see no mystery. Trees are pleasant. They make for nice neighborhoods and add to the value of property. Hence, builders have gone out of their way to preserve them, and homeowners have been inclined to protect them, and to plant more. You don't have to force people to want trees: it happens automatically.

Alas, there is a certain kind of person—shall we call them busybodies?—who reject this logic. To their way of thinking, people are too ignorant or too selfish to behave constructively. For any good thing to happen, or to continue to happen, they believe, it has to be mandated by a higher power. Take suburban trees. You and I may think that homeowners would take care of them without assistance, but the busybody has no such confidence in his fellow man. He fears that leafy suburbs would become Arabian deserts if people did what they wanted with their trees.

Takoma Park, one of the wealthy Maryland suburbs of Washington, is densely forested. It is also densely populated with busybodies fretting about the fate of local trees—and eager to meddle in their neighbors' decisions about them. The product of this anxiety is a tree ordinance that makes it illegal for people to remove trees on their own property.

Alas, regulating trees is not as easy as it first appears. You can't prohibit cutting down all trees, because there are some that have to be cut down. They are dying or dead, for example, or about to fall on a house, or their roots are heaving up foundations, sidewalks, or driveways. Since the homeowner isn't allowed to decide when it is appropriate to cut down a tree, government must create the machinery, paperwork, and personnel to handle the decision.

Let's follow the process in a case that was recounted in the *Washington Post* by reporter Phil McCombs last year. Takoma Park resident Ken Shields wanted to cut down a catalpa tree. The Shieldses are not pro-asphalt fascists. "I love trees," Ken says. "My wife is a woodswoman and appreciates and adores trees." But this particular tree needed to be cut down because its roots are tearing up his driveway and it blocks their vision when they back out of the driveway.

The first step was to call the city's arborist, since under Takoma Park's tree ordinance this official must approve any pro-

---

Contributing editor Jim Payne (jlpayne@netw.com) is the author of A History of Force *(Lytton).*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

posed tree removal. The arborist came out and, after inspection and consultation, gave Ken permission to apply for a tree-removal permit. Ken filed the application and paid the $25 fee. (He also agreed to pay an additional $257 fee if he failed to plant another tree to replace it). Then the application was posted in front of his house, inviting anyone to object to the removal of the tree. One person stepped forward. He was an employee of an environmental nonprofit organization who objected to cutting down the tree because, he said, he liked to walk past it on his way home from work.

So the dispute went to the city's Tree Commission. The five-member commission heard testimony from all sides and, after long deliberation, decided the tree could not be cut down. The busybody smugly announced that his victory vindicated his collectivist ideology: "There is at least a communal, if not communitarian, aspect if one chooses to live here," he told the reporter.

Someone's Always Unhappy

It's not clear, however, that giving strangers the power to mess up other people's lives makes for happy communal life. Ken Shields, for one, is angry. "The more I thought about it the more it made my blood boil," he said. "What I am not dealing with is how angry the whole process is making me." Shields is not alone. Under the regulatory system in force, tree removal becomes an arena of continual conflict. "Sometimes people scream at me that someone's taking down a tree," says the city arborist. "Other times they scream at me because they're not allowed to take a tree down."

The many disputes about tree removal prompted the city council to hold hearings on a rewrite of the tree ordinance last year, but this produced only more dissension. Fearing that the ordinance was about to be gutted, the environmentalists came out to protest any relaxation in the rules. In the end, the council approved a ponderous revision that it claimed would be more "user friendly," but which actually tightened regulation by including all trees over six inches in diameter in the regulation (down from 7 5/8 inches).

Those of us who fly into Reagan National have to be amused by all this struggling by the ant-like people below. We know that trees thrived in Takoma Park into the 1980s, before the city adopted a tree ordinance, and that they thrive apparently as well in neighboring jurisdictions that do not have tree ordinances. Tree regulation in Takoma Park, and all the costs, bureaucracy, infighting, and bitterness that come with it, have very little to do with the preservation of the urban forest. What it reflects is the human tendency toward intolerance and self-centeredness. Some people are not satisfied unless they can deny other people the freedom to make choices for themselves. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

To Understand Change, Learn from History

by John Hood

Judging by the headlines and recent political campaigns, America's economy is undergoing one of those rapid and fundamental changes that augur well for the incomes of Americans—but not so well for the prospects of restraining politicians from counterproductive intervention to "save jobs."

According to the data, my home state of North Carolina lies at or near the center of this change. Although this may surprise many outsiders, North Carolina has long been one of the most manufacturing-dependent state economies in the United States. It has one of the highest percentages of the workforce engaged in manufacturing and the highest share of women working outside the home, many in manufacturing. Traditionally, the saying went, North Carolina's economy was built on a tripod of manufacturing industries: tobacco processing, furniture, and textiles. For various reasons, all three have had a rough few years, resulting in massive job losses, declining asset values, and more than a few bankruptcies. Of course, communities across the country and around the world are grappling with similar changes.

John Hood (jhood@johnlocke.org) is president of the John Locke Foundation, a public-policy think tank based in North Carolina, and a contributing editor at Reason *magazine. His latest book is* Selling the Dream: Why Advertising Is Good Business, *forthcoming from Praeger.*

We've seen wrenching and exciting economic change before, so some might be tempted to regard this new wave of reorganization as no big deal. I don't agree. This information-age economy is real, and it's here to stay. You can't wall yourself off from it with protectionist tariffs, government programs, or wishful thinking. You can't put the genie back in the bottle.

And you shouldn't want to. After all, genies are powerful things. The new technologies and trading relationships of the 21st century are powerful too. We all benefit when information that used to reside in shelves of books or the minds of middle managers is now available at the touch of a button. We all benefit when automation drastically reduces the cost of producing goods, even if in the short run some workers find themselves displaced and in need of retraining.

Those who complain about economic innovation have a failure of perspective. All they can see is an abandoned warehouse, and so they miss seeing the telephone line stretching above it that may well carry the just-in-time information that made warehousing unnecessary. All they can see is an abandoned factory that used to make the socks now mass-produced in Mexico, and so they miss what happens to the money previously spent on higher-priced footwear that consumers can now use for something else. Are they buying more software? Are they going to the movies more often, or eating

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

out more? Are they purchasing more medicines to alleviate their pain or extend their lives? And who dominates these growing industries?

Napoleon Bonaparte once had something to say about putting a problem in perspective. The story goes that one of Napoleon's marshals came to him one day and told him that the enemy was very close, and that the danger of his army's defeat was imminent. Napoleon replied: "Bring me larger maps."

I grew up in rural Mecklenburg County, just outside Charlotte, and much of my family still lives there. So I go back and forth to Charlotte frequently, and because I like the back roads, I take Highway 27, which goes through the little town of Carthage in Moore County. You may not have heard of Carthage, but it does have a claim to fame: a century ago the town boasted one of the most prominent and successful manufacturing firms in the south: the Tyson and Jones Buggy Company. At its peak in 1895, the factory there turned out about 3,000 buggies a year. A Tyson and Jones was considered a sort of "Cadillac of buggies." But by 1925 the last buggy rolled off the assembly line, and the plant disappeared. Carthage never recovered as a center of manufacturing.

New Resort Town

So is this just a story about how economic change—in this case, the invention of the automobile—destroyed a community? Hardly. Go just a few miles south of Carthage and you get to another Moore County town, called Pinehurst. It was right around the time that tinkerers were inventing the automobile and the Carthage buggy plant reached its peak, in 1895, that millionaire businessman and philanthropist James Tufts was beginning to plan his new resort town. Tufts was from the northeast. He knew that workers in the big cities there would likely appreciate the opportunity to get away during the winter months to affordable vacation spots south of the Mason-Dixon Line. In 1897 a visitor brought a set of golf clubs to Tufts's new resort at Pinehurst, and began a tradition that continues to this day. Without the automobile, it would not have been practical for average families from the northeast to take a trip down to North Carolina for a golfing vacation. The town wasn't on a major rail line and wasn't served by either a seaport or airport. It was accessible by car. Today, Pinehurst is the third-most popular golfing destination in the world.

My point is that it is all too easy to see the negative consequences of economic transformation and not to see the much-greater benefits.

Speaking of my family, my father moved to Charlotte from Lenoir, a little town in the North Carolina mountains. His father worked in the then-emerging field of vending machines, jukeboxes, and pinball machines. In the 1920s and 1930s, when coin-operated machines first became viable, there was a lot of fear about these "robot salesmen" and "robot entertainers," as the vending and jukebox/pinball items respectively were called. The term "robot" had just entered the popular lexicon from a Czech-language play called *R.U.R.* (for "Rossum's Universal Robots") that was built around the thesis of manmade workers that would take the jobs of human beings. ("Robota" is Czech for forced labor.) In 1927 Aldous Huxley warned against the rising mechanization of entertainment, which he said would put live artists out of business. In fact, University of Nevada-Las Vegas scholar Chris Rasmussen reports, labor unions attempted to block the installation of vending machines that they thought would eliminate jobs for retail clerks and salesmen. The American Federation of Musicians resisted the introduction of jukeboxes to bars, taverns, restaurants, and other venues. "Canned music" by "the robot entertainer" would infantilize the listening public and eliminate the jobs of musical performers and record companies, they said.

Of course, these dire predictions didn't come true. Far from displacing sales staff, vending machines simply introduced packaged goods of various sorts into areas where people had not previously had the opportunity to buy them. The pinball machines

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

brought entertainment to millions of people who didn't live in big cities, near fairs or carnivals, or in places with professional sports or other regular entertainment options. Both of these industries needed to hire people, like my grandfather, to install the machines, service them, and collect the coins.

The jukebox was the most successful of all the technologies, if you're counting the jobs created, since it almost single-handedly rescued the record industry just after the advent of radio. In 1927, Rasmussen estimates, about 100 million records and 1 million phonographs were manufactured in the United States. By 1932, with radio and the Depression intervening, record production had plunged to 6 million and phonograph production to 40,000. But by the end of the 1930s, those horrible, job-stealing jukeboxes had rejuvenated the demand for recordings, with 75 million records pressed annually—about half of which were destined for jukeboxes rather than personal phonographs.

Political Challenges

Today's economic challenges aren't really economic. They are political. Our political leaders continue to add program after program. They continue to raise our tax rates, at least at the state and local levels, even as they complain that these taxes are outdated. They continue to fund and protect monopolies in education and other fields rather than embracing ways of opening up competition and empowering consumers to make choices that satisfy their individual needs.

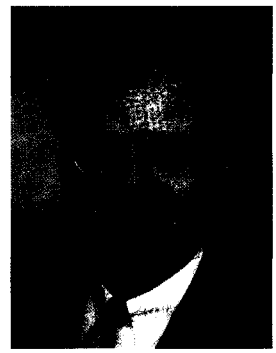
Of course, many active in politics view this differently. They believe that failure lies in not passing new laws, in not creating new programs. Adam Smith offered the appropriate rejoinder in *The Wealth of Nations*: "It is the highest impertinence and presumption . . . in kings and ministers to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will."

Economic leadership means taking risks, and it actually involves a certain amount of self-confidence—even to the point of vanity. That's all right, by the way, because a capitalist economy doesn't thrive on charitable intentions. It thrives by creating an environment in which self-interest advances the good of everyone. The most useful trait in political leadership, on the other hand, is humility. Those who lead best attempt to lead the least. Lao Tzu, the legendary Chinese philosopher who founded the school of thought called Daoism, expressed this essential wisdom centuries before the birth of Christ:

> A country may be governed with justice,
> And a war may be won with cunning,
> But people can only be mastered by following them.
> How can this be known? By looking!
> The more people are controlled, the poorer they become;
> The poorer they become, the more restless they get;
> The more restless they get, the more forcefully they are restrained.
> When people are forcefully restrained, their defiance becomes ingenious.
> And the more ingenious their defiance, the stranger are the things that happen.
> Now when strange things begin to happen, laws and regulations become stricter;
> Then stricter laws and regulations mean more criminals and fugitives.
> Soon everyone is either a criminal or a fugitive,
> And no one can untangle the mess.
> The more people are controlled, the less contented they become.
> But when will leaders understand the significance of this? □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004



Free Markets Blossom in Vietnam

Americans think of the Vietnam War as the first armed conflict in our history that we lost. Tanks and troops from the communist North captured the South's capital of Saigon on April 30, 1975, renamed it Ho Chi Minh City, and ended decades of war. Who can forget the scenes of the last frenzied evacuation of Americans and Vietnamese by helicopter from atop the U.S. embassy just hours before?

In a military sense, the communists achieved their primary goal of subjugating the South and uniting the two sections of Vietnam under one flag. But nearly 30 years later, Karl Marx wouldn't recognize the place, and neither would Ho Chi Minh and his comrades whose dream was to fashion a unified Vietnam into a model of socialism. In many ways, the country's economy is getting more free by the day.

The outlines of this story follow a pattern now almost monotonously familiar. Marxists come to power and promise a socialist paradise. They collectivize, nationalize, and terrorize. Central planning, they promise, will replace the "chaos" of the marketplace. In no time at all, everything falls apart. Another nation is added to the mournful heap of countless socialist flops. In their quixotic attempts to create omelets of society, statists of all stripes never produce much more than a lot of broken eggs. (See my "Where Are the Omelets?" *The Freeman*, October 1999, www.fee.org/vnews.php?nid=4443.) Sooner or later, they or their successors resort to the market to rescue them. It turns out that of all the bombs dropped on Indochina since the war with the French colonialists in the early 1950s, socialism may have done the most damage.

It's a pattern that reminds me of the wise advice of the French economist and statesman, Frédéric Bastiat: "And now that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty."

Since 1986, Vietnam has been trying liberty, or at least a notable dose of it. The Communist Party still imposes a political monopoly, but for the past 18 years it has been beating an economic path to free enterprise. It abolished price controls, legalized private property, sold off many state-owned enterprises, and encouraged free-market entrepreneurship. Labeled "Doi Moi" (meaning "new changes"), Hanoi's program for revitalizing a moribund socialist economy by de-socializing it is clearly working. In February I saw it firsthand during a fact-finding visit to Hanoi and Ho Chi Minh City arranged by the Virginia-based Atlas Economic Research Foundation.

Private businesses clog the sidewalks of Vietnam's major cities. By some estimates, the private-sector contribution represents as much as 70 percent of GDP and 91 percent of total employment. When over a hundred different business licenses were abolished in

Lawrence Reed (Reed@mackinac.org) is president of the Mackinac Center for Public Policy (www.mackinac.org), a free-market research and educational organization in Midland, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

2000, more than 10,000 new companies were registered within months.

Vietnamese are starting businesses not just in city storefronts, but also in their homes. From 1990 to 1999 private household enterprises increased from about 800,000 to 2.5 million. At the same time, hundreds of state-owned enterprises, big and small, have been shut down or privatized. With numbers like this, the country's formal name—the Socialist Republic of Vietnam—may be overdue for a makeover.

Downtown Hanoi even boasts a three-story luxury shopping mall, and the people shopping in it are not predominately foreigners. Overwhelmingly, they are native Vietnamese whose incomes have soared as the reforms have taken hold.

In the 1990s Vietnam's economic growth averaged nearly 8 percent per year, astronomical by any economist's measure. An agreement between the United States and Vietnam took effect in December 2001 that promises a blossoming of trade between the two countries and continued high growth rates for Vietnam. U.S. tariffs on Vietnamese products were sliced from an average 40 percent to an average 3 percent, and Hanoi committed itself to aggressive measures to further open its economy to foreign investment. Goods aren't the only thing that's moving more these days. Vietnamese citizens enjoy a freedom to travel abroad that was unthinkable 20 years ago.

Free-Market Teaching

Hanoi's National Economics University is teaching thousands of students about the market economy and the transition from central planning to free markets. One of its lecturers, a staunch disciple of Nobel laureate and Austrian free-market economist F. A. Hayek, told me that among young people, there is "great interest and excitement" about what free markets can accomplish for Vietnam in the future. Perhaps some day soon, Vietnam will have its own free-market organization. Imagine that. A FEE in Hanoi!

Of all the palpable signs of transition and progress, perhaps none captures the changes and the new spirit of Vietnam better than the stock exchange in Ho Chi Minh City, which opened in July 2000. It wasn't in Uncle Ho's original plan, but unlike him (he died in 1969), public trading in stocks is alive and well in the city that bears his name. I visited the exchange and met one of its staff members there.

The stocks of some two dozen Vietnamese companies are now traded by an automated order-driven system (similar to NASDAQ). The largest of them is a company that produces air-conditioning equipment. Two dozen listed firms may not sound like much, but plans for a significant expansion are underway. The Securities Trading Center is conducting educational seminars around the country to acquaint citizens with the concept of stock ownership and to encourage private entrepreneurs to register their companies for listing on the exchange. When I asked the exchange staff why an ostensibly socialist government allowed such an icon of capitalism to open, she replied, "Capital formation and business growth. The government recognized that a stock market was necessary for both."

It would be easy to overstate what's happening in Vietnam. The country still has deep-seated economic problems, and vestiges of socialism abound. Corruption and cronyism are hampering the reform effort. The same one-party state that has granted considerable economic liberties could take them back. Indeed, some of the people I wanted to quote by name asked me not to, fearing the unwanted attention it might bring them from the regime. But the sense one gets from talking to Vietnamese is that change is not only in the air, it's also putting down ever-deeper roots. More than a few told me that while it's likely there will be occasional setbacks, hardly anyone has the stomach for a return to the days when central planners ran everything and ran it all into the ground.

Good morning, Vietnam! □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

The Most Insidious Tax

by Dale Haywood

People don't generally spend and invest other people's money as carefully as they do their own. This single, simple fact goes a long way toward explaining why capitalism works and statism doesn't.

Private property, which enables people to spend and invest their own money, is a central feature of capitalism. Indeed, private property is the *key* feature of capitalism.

But property can be eroded subtly. Specifically, people's money can be quietly shifted from the private sector to the public sector. That constitutes a transfer of resources from profit-seeking investors to vote-seeking politicians.

This process weakens capitalism and strengthens statism. On balance, it is eroding the ability of millions of savers to buy homes, finance their children's education, pay their bills during retirement, and, in myriad other ways, assume responsibility for themselves.

It's usually in January and February that I'm reminded of this insidious transfer of wealth. For it's typically during these months that thrifty people receive notices from the financial institutions to which they've entrusted some of their savings. (The official IRS designation for these notices is form 1099 INT.) The institutions send out these forms to remind their customers how much interest they earned on their deposits during the prior calendar year. They admonish savers to be sure to report this "income" on their tax returns.

This is, of course, when the reduction of private property and expansion of communal property begins. Imagine this hypothetical, but realistic, situation: On December 31, 2002, a saver invests $1,000 in a one-year certificate of deposit paying 2 percent a year. The certificate matures on December 31, 2003. Its maturity value is $1,020—$1,000 principal plus $20 interest. So in January or February of 2004, the financial institution mails a 1099 INT to the saver showing $20 interest. The saver, in turn, dutifully reports that $20 on his 2003 federal and state tax returns just as he is required to.

If the taxpayer is in, say, the 27 percent federal tax bracket and the 4 percent state tax bracket, his total tax on this income will be $6.20, or $20 times .31.

There's nothing subtle about this aspect of the wealth transfer. The taxpayer may not like these taxes, but he's not confused. Yes, he might even fervently resent what's happening. And that's understandable. For he knows politicians will spend the money on undertakings at least some of which he strongly disapproves. He also knows how differently he would have spent or invested the $6.20 if he had retained control over it. He clearly understands this wealth transfer

Dale Haywood (haywood@northwood.edu) is a professor of business at Northwood University and an adjunct scholar with the Mackinac Center for Public Policy, both in Midland, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that shrinks the private sector and expands the public sector by about 31 percent of his earnings on the certificate of deposit.

But, if we look more closely, we find there is another aspect to the wealth transfer. It is more subtle. We understand this feature of the transfer when we take inflation into account. And if an investor is realistically to maintain or increase his purchasing power, he surely must allow for inflation. (For the record, "inflation" originally referred to the expansion of money or credit by government fiat, which, other things equal, causes prices to rise generally. Today the term is usually applied to the effect, with the cause overlooked.)

Illusory Gain

Suppose there was 1.9 percent rise in prices during 2003. In that case, our hypothetical saver would need $1,019 on December 31, 2003, to have the same purchasing power he had with $1,000 on December 31, 2002. So, before paying the $6.20 in taxes, his *real* income on his $1,000 one-year certificate of deposit would be just $1 (The $1,020 maturity value of the certificate minus $1,019). After allowing for inflation, we find this saver's combined federal and state *effective* tax rate on real income is 620 percent ($6.20 divided by $1).

That is worse than slavery! A master can't tax his slave more than 100 percent, because he has to devote some of the slave's production to feeding, clothing, and housing him.

The consequences of inflation are insidious. It is, in effect, a subtle second tax. However, our present tax laws don't allow investors to take it into account when they report interest "income." When we do take inflation into account, we discover that the private sector is contracting and the public sector is expanding at much faster rates than it first appears. Using the numbers in our example, we see that capitalism is eroded and socialism is fueled not by 31 percent of nominal income from fixed-dollar investments such as certificates of deposit, but rather by 620 percent of real income.

Surely it is irrational to expect to continue to get the benefits of capitalism if we acquiesce in either the overt or the covert erosion of private property. □

Inspired? Shocked?
Delighted? Alarmed?
Let us know.

We will print the most interesting and provocative letters we receive regarding *Freeman* articles and the issues they raise. Brevity is encouraged; longer letters may be edited because of space limitations. Address your letters to: *The Freeman*, FEE, 30 S. Broadway, Irvington-on-Hudson, New York 10533; e-mail: freeman@fee.org; fax (914) 591-8910.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

Borders and Liberty

by Andrew P. Morriss

Borders play a critical role in our lives. Some of the borders that matter to us are ones we establish ourselves: this is *my* house and property; that is *your* house and property. By choosing what is mine and using the legal system to mark it off from what is yours, I create a border. While not quite as invulnerable as suggested by the maxim "A man's home is his castle," my property gives me a firm border against you. Borders come from property rights and are essential to a free society.

At the macro level we have political borders—unrelated to property rights, more permeable than personal-level borders, but just as important to ensuring liberty. When I drive from my home to my office, I cross the borders of multiple political subdivisions of the state of Ohio, moving from Columbia Township to Cleveland, from Lorain County to Cuyahoga County. Those borders are invisible but important. Cleveland confiscates 2 percent of my salary because my work lies within its borders (Ohio cities can levy local income taxes). Columbia Township taxes my home. Columbia does not tax my income, and so income I earn at home is worth 2 percent more to me than wages at work. Cleveland cannot tax my home, freeing me from the concern that people I cannot vote for could tax property as well as income. (Of course I also worry about people I *can* vote for taxing my income and assets, but at least there is a theoretical possibility of throwing the rascals out when I vote.)

These borders are all permeable: I do not need to show identification to pass across any of them and do not need to justify my purpose in moving among the various cities and towns along my drive to and from work.

Other macro-level borders are less permeable. When I walk across the U.S.-Mexican border near my parents' home in Yuma, Arizona, in one direction I must satisfy Mexican authorities that my purpose is legitimate. In the other, I must satisfy U.S. authorities that my return is legitimate. In both directions, people with guns are standing by, ready to keep me out should I fail to satisfy them about the legitimacy of my purpose. Only the Americans with guns seem worried about who is entering the United States. They look at my identification, ask what I was doing in Mexico, and, sometimes, have dogs sniff my vehicle and belongings.

In many respects, these macro-level borders are wonderful things. Lorain and Cuyahoga counties in Ohio must compete for my family's residence. Choosing to live where we do is related to the taxes charged by the communities where we might have lived. Investors make similar choices.

The choices by families about where to

Andrew Morriss (apm5@po.cwru.edu) is Galen J. Roush Professor of Business Law and Regulation at Case Western Reserve University, Cleveland, Ohio, and senior associate at PERC, the Property and Environment Research Center, Bozeman, Montana.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

live and invest their money influence communities' public policies. Choosing bad policies produces an exodus; choosing good policies leads to immigration of both capital and people. For example, Cleveland is trying to reverse its post-World War II decline in population by offering to exempt new construction from real-estate taxes for 15 years. Such competition isn't perfect, of course, and only operates on the margin. Desirable locations such as New York City will be able to impose higher taxes than less-desirable locations such as Cleveland. Nonetheless, the competition offered on local taxation policy and other regulatory issues is important in restraining governments from infringing liberty.

Macro borders with competition enhance liberty. At the state and local level the only way politicians can prevent such competition is by eliminating borders. In Cleveland, "regional leaders" are pushing consolidation of local governments into one big entity as the solution to the exodus of population and investment to lower-tax jurisdictions. Fortunately, politicians' self-interest also cuts against consolidation since it would mean fewer positions for them.

National Borders

National borders are also important sources of liberty. The Mexican border, for example, offers a choice between a drug-regulatory regime that requires a doctor's prescription for most pharmaceuticals and one that does not. The streams of visitors to towns such as Algodones, Baja California, are not merely seeking lower prices. Some are seeking medicines unapproved in the United States; others are looking for medications for which they have no U.S. prescription, whether for recreational (such as Viagra) or medical (antibiotics) use. Mexico does not offer the pro-plaintiff tort doctrines of U.S. product-liability law, has lower barriers to entry for pharmacists, and a wide-open market for pharmaceuticals that includes openly advertised price competition. U.S. residents near the Mexican border thus have a choice of regulatory regimes for their medicine that those of us who live farther away do not. Border-region residents can buy medicines either with the U.S. bundle of qualities, restrictions, and rights, or the Mexican bundle. From the level of traffic of elderly visitors I've seen at the border crossing, it appears the Mexican bundle is more attractive for many.

Borders are thus friends of liberty in two important ways. First, without borders we would not have the competition among jurisdictions that restricts attempts to abridge liberty. The impact of borders goes beyond those who live near them. Pharmacists try to prevent the free sale of prescription drugs, but they would be much more successful if Mexico did not offer an alternative for at least some consumers. It is the margin that matters, and so free availability of pharmaceuticals in Mexico benefits even those of us who live in Ohio.

Jurisdictions thus compete to attract people and capital. This competition motivates governments to act to preserve liberty. Famously, for example, states compete for corporations, with Delaware the current market leader. Delaware corporate law offers companies the combination of a mostly voluntary set of default rules and an expert decision-making body (the Court of Chancery). As a result, many corporations, large and small, choose to incorporate in Delaware, making it their legal residence. (Their actual headquarters need not be physically located there.) Corporations get a body of liberty-enhancing rules; Delaware gets tax revenue and employment in the corporate services and legal fields.

That state's position is no accident. At the beginning of the twentieth century, New Jersey was the market leader in corporate law. When New Jersey's legislature made ill-advised changes to its corporations statute that reduced shareholder value, Delaware seized the opportunity and offered essentially the older version of New Jersey's law. Within a few years, the vast majority of New Jersey corporations became Delaware corporations.

The second way that borders further liberty is that they allow diversity in law and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other community norms, letting each individual find the setting that most resembles the type of society he or she desires. Everyone in Ohio need not agree on how to organize town activities: I can live in a township with few taxes and few services, and my more left-wing colleagues at the university who prefer a more interventionist society can live in Cleveland Heights, a suburb with an aggressive central-planning mentality and high taxes.

Borders prompt concerns among many people, however. Statists often worry about precisely the competition described above. In the European Union, for example, high-tax jurisdictions like France and Germany worry (correctly) that low-tax jurisdictions like Ireland will attract capital and jobs and thus create pressure to reduce taxes. In the United States, statists worry that cross-border competition will produce a "race to the bottom" in areas such as environmental protection.

Competition and Costs

Statists are correct that competition among jurisdictions will make clear the costs of the policies they promote. They are wrong when they suggest that cross-border competition is destructive of the quality of life, however. The former divide between East and West Berlin is a fine example of the impact of cross-border comparisons. East Germans could see the difference in outcomes between the two societies, and East Germany had to resort to increasingly costly and desperate measures to prevent its citizens from voting against communism with their feet. The example of West Germany did not erode the socialist regime by "unfairly" competing against it. West Germans had a higher standard of living and more freedom. Competition between the two Germanys exposed the cost of East German policies.

To prevent cross-border competition from exposing the costs of their favorite policies, unions, environmental pressure groups, and other special interests attempt to forestall it. International treaties requiring all nations to agree to particular interventionist measures are the latest means of forestalling competition. High-tax, heavy-regulatory jurisdictions in the European Union are waging just such a fight now, arguing, for example, that Ireland's low taxes are "unfair" competition. Such agreements and treaties are merely the international equivalent of anticompetitive cartels among firms. But private firms cannot legally use coercion to enforce their cartels. Eliminating borders can thus reduce liberty by ending the competition that helps preserve it.

Of course, borders can also offer governments opportunities to threaten liberty. (But, then, what doesn't offer governments a chance to restrict liberty?) In particular, the enforcement measures taken to secure borders are a major threat to liberty. Consider the U.S.-Mexican border. To prevent noncitizens from entering the United States across this 2,000-mile border, the United States has erected a steel wall in San Diego to divide the two countries and invested in a wide range of high-tech surveillance gear. Why? To prevent people who want to work in the United States, and who will make us better off by increasing economic activity, from doing so.

On the larger scale, we spend over $170 million a year on the immigration service, an agency whose behavior can too often be best described as "thug-like." In its zeal to control our borders, the Border Patrol erects internal checkpoints to examine identity documents and question all motorists on highways leading from international borders. To take a minor example, I have been quizzed by gun-toting Border Patrol agents on where I was going and why I was going there—matters that are none of the federal government's business under any circumstances—while driving on the interstate east of Yuma on the way to Phoenix, at a spot that provides a convenient chokepoint. For now, the federal agents only ask a few questions. But it is not too much of a stretch to imagine data-collection efforts that might be a real threat to privacy and freedom. Identifying those who regularly travel to border towns to take advantage of Mexico's looser rules on medicine, for example, would be an easy next step.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As it does in other areas, the Leviathan can use crises to expand its power and reach by creating "border security" measures that also restrict liberty at home. Defending the borders of a free country from those who would reduce freedom is legitimate. But that defense must be conducted in a manner that does not destroy the liberty it is intended to protect.

In a post-9/11 world it is harder to see how to reconcile freedom and security. Markets, however, are already offering alternatives. A Cleveland startup company run by some friends, EagleCheck, is introducing a means of verifying identification without keeping records (www.eaglecheck.com). Several airlines are working on creating privately issued and verified identification documents that would speed moving through airports (and hence across borders). Credit-card companies and PayPal have greatly enhanced the ability to conduct financial transactions across borders. Given the demand for both security and liberty, it is not surprising to see markets responding in this fashion. None of these solutions is perfect, of course, but they illustrate how entrepreneurs can help provide security without reducing liberty.

Even though borders can be an excuse for reducing liberty, a world with lots of borders is nonetheless a far friendlier world for liberty than one with fewer borders. They promote competition for people and money, which tends to restrain the state from grabbing either. Borders offer chances to arbitrage regulatory restrictions, making them less effective. Without borders these constraints on the growth of the state would vanish. □

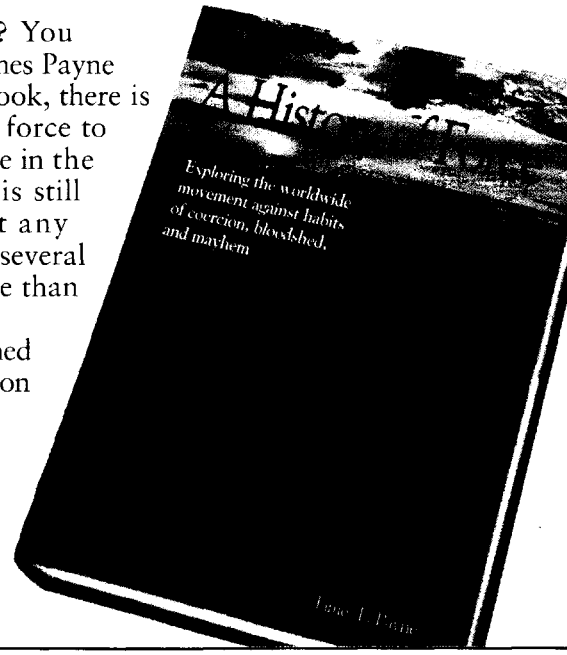
Test your knowledge of history:

Compared to the beginning of the 20th century, the death rate owing to war and genocide is today:

a) twice as high, b) about the same, c) half as high, d) 1/100th as high.

Surprised that the answer is d)? You shouldn't be. As political scientist James Payne documents in this remarkable new book, there is a long-run tendency for all uses of force to decline. Of course there's still violence in the world, and government coercion is still deplorably common. But by almost any measure—and Payne advances several dozen—there is less reliance on force than there used to be.

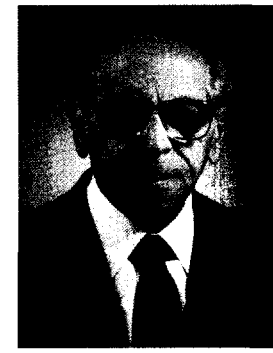
This far-reaching, carefully researched book opens exciting new perspectives on government's past—and its future.



To order ***A History of Force,***
send check for $27.45
($23.95 plus 3.50 S&H) to:
Lytton Publishing Company
Box 1212 • Sandpoint, ID 83864
Or visit www.lyttonpublishing.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004



"A House of Aces"

Almost 50 years have passed since I first proposed that the concept of mental illness and the profession of psychiatry rest on fictitious foundations. "Mental illnesses" (henceforth without scare quotes) are behaviors, not diseases. Psychiatry is religion, rhetoric, and repression, not medicine. The basis for understanding mental illness lies in semiotics (the study of signs and symbols). The basis for understanding psychiatric practices lies in ethics, philosophy, law, and criminology.

Not surprisingly, psychiatrists and the public have not been eager to relinquish a system of ideas and interventions sanctioned by tradition as necessary and proper, and by "medical science" as true. I was prepared for this. In *The Subjection of Women* (1869), John Stuart Mill wisely observed:

> So long as an opinion is strongly rooted in the feelings . . . the worse it fares in argumentative contest, the more persuaded its adherents are that their feeling must have some deeper ground, which the arguments do not reach; and while the feeling remains, it is always throwing up fresh intrenchments of argument to repair any breach in the old . . . [T]he understanding of the majority of mankind would need to be much better cultivated than has ever yet been the case, before they can be asked to place such reliance in their own power of estimating arguments as to give up practical principles in which they have been born and bred and which are the basis of much existing order of the world, at the first argumentative attack which they are not capable of logically resisting.

Exactly such has been the case with my effort to expose the myth of mental illness and abolish psychiatric coercions and excuses. Instead of yielding to the arguments supporting this view, psychiatrists and their adherents—relatives of the mentally ill, politicians, pundits, and the public—have replaced what had been a shaky house of random cards (the unstable mixture of the state hospital and psychoanalysis) with a solid house of pure aces (the stable mixture of biological psychiatry and neuropharmacology).

Until well past the end of World War II, the model mental illness was hysteria, that is, a person complaining of pain or paralysis without an "organic basis" for his, more often her, "disability." I showed that hysteria was not a disease, but a type of nonverbal communication. Psychiatrists adopted this view as if it had always been their opinion, deleted hysteria from their official list of mental diseases, and replaced it with schizophrenia as the "sacred symbol" of the new "biological psychiatry." They then declared that certain drugs were effective "treat-

Thomas Szasz (tszasz@aol.com) is professor of psychiatry emeritus at SUNY Upstate Medical University in Syracuse. His latest works are Words to the Wise: A Medical-Philosophical Dictionary *and* Faith in Freedom: Libertarian Principles and Psychiatric Practices, *both published by Transaction.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ments" for this disease and "discharged" most of the patients from state mental hospitals. Now, deinstitutionalization and psychiatric miracle drugs make up the building blocks of the new psychiatric house of aces.

The masses of mental patients are, and have always been, poor and imprisoned—that is, confined against their will. Psychiatrists deny, and have always denied, this. They maintain (as they must, to justify their practices) that "mental illness is like any other illness" and that mental hospitals are like medical hospitals, to which patients are "admitted" and from which, after successful treatment, they are "discharged."

So, after 300 years of "psychiatric reforms" —and 100 years of "scientific advances," crowned with a Nobel Prize for the inventor of lobotomy—where are we?

The Mental Hospital as Prison

The Economist reports: "When many of the country's mental-health hospitals were shut down in the 1960s, the idea was that patients would be looked after by local health systems. Instead . . . many have ended up in jail." Many medical hospitals have also shut down, but medical patients have not ended up in prisons.

A widely reported study by Human Rights Watch concludes that "jails and prisons have become the nation's default mental health system," that one in five of the 2.1 million Americans in jail and prison are seriously mentally ill, "far outnumbering the number of mentally ill who are in mental hospitals." In 1999 the Justice Department estimated that 16 percent of state and federal prisoners and inmates in jails were suffering from mental illness. "These illnesses included schizophrenia, manic depression (or bipolar disorder) and major depression." There are no objective biological tests for these illnesses. Hence, how many prisoners, if any, "have" these diseases is pure guess.

Persons who know that mental illnesses exist and are real, and that the mentally ill are or may be dangerous to themselves and others, are not interested in asking questions about psychiatric principles and practices. They simply want better "services." For persons willing to entertain doubts about the foundations of psychiatry, I offer the following brief comments.

1. The authorities who lament the presence of many mentally ill persons in prisons do not claim that the prisoners are innocent of lawbreaking. If the incarcerated individuals are, in fact, guilty of the crimes with which they have been charged, it seems reasonable that they are in prisons rather than hospitals; if they are mentally ill, they ought to be treated in the prison. Prisoners who have medical illnesses receive treatment in prison. The lamenters, after all, insist that "mental illnesses are like other illnesses."

2. Most of the hundreds of thousands of mental patients who, prior to deinstitutionalization, lived in mental hospitals, were housed there because they were, in effect, homeless: poor, rejected by their relatives, they were "committed" as "dangerous to themselves and others." In plain English, they were imprisoned, but their prisons were called "hospitals," and they were called "patients" instead of "inmates."

3. Psychiatrists do not acknowledge that it is deinstitutionalization, their latest "reform," which led to the re-housing of mental patients from asylums to jails. Instead, they advocate the large-scale drugging of mental patients as a method of crime-prevention—as if crime were caused by mental illness and if all mental patients were properly "medicated," crime would disappear.

4. Because mental illness is a fiction, there can be no treatment for it. In the golden era of hospital psychiatry, prior to World War II, mental illness was considered a real but untreatable disease: most mental patients were left unmolested by doctors. Looking back, we call the hospitals "snake pits" and the patient management "neglect." Today, in the golden era of biological psychiatry, mental illness is considered a real and treatable disease: mental patients are forcibly drugged, in prisons and prison-like facilities and while on psychiatric parole ("outpatient commitment"). Future observers will decide what names to attach to the now-fashionable psychiatric delusion and brutality. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

The "Big" We Really Need to Beware

by Wayne Dunn

It's funny how an innocent little word like "big" can be used to help conjure up images of corruption. Just think of what's usually meant by "big oil," "big drug companies," and "big corporations."

But are big businesses inherently bad, as some would like us to believe?

Consider that when markets are free, there's only one way for a business to become big: by pleasing a growing number of consumers. There's simply no such thing as a corporation that expands by selling what no one wants or by charging higher prices than people are willing to pay. It can achieve growth only by profitably accommodating consumer wishes. Otherwise, consumers will withdraw their patronage and bequeath economic power to the derelict company's more worthy competitors—or if there are no competitors, consumer desire will invite them.

Thus in a free-market system, consumers are the real power brokers. As Ludwig von Mises put it, "On the market of a capitalistic society, the common man is the sovereign consumer whose buying or abstention from buying determines what should be produced and in what quantity and quality. . . . Big business always serves—directly or indirectly—the masses."[1]

But in a semi-free-market system, such as ours, there's a second way a business might get bigger: through government largess. For instance, let's say Widgets Inc. has hit on hard times—competitors are running rings around it. Widgets' chairman of the board, however, has "friends" in Washington. Before long, Widgets' chief competitor is struggling to fend off the Justice Department's Antitrust Division. The scales have been artificially tipped. Consumer Will has been usurped by Political Pull.

Another example: XYZ Corp.'s revenues have tanked, and it needs cash now to stay afloat. But its credit is already overextended. It just so happens, though, that the company sits in the district of a powerful congressman. XYZ gets a federal bailout.

Here again, the scales have been artificially tipped. Where people wouldn't willingly spend their money in their capacity as consumers, they were forced to spend it in their capacity as taxpayers. Free markets were trumped by political freewheeling.

Now, most everyone knows shady things like that go on. Such political favoritism, in one variation or another, is practically an everyday occurrence. But people tend to confuse the sickness with the symptoms. They observe that the injustice is associated with business, and on that basis conclude that "free markets" are to blame and that government should "rein in corporations." But failing to distinguish government meddling from free markets just because both involve business is like failing to distinguish shoplift-

Wayne Dunn (WayDunn@aol.com) is a freelance writer living in Tennessee.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing from buying just because both involve goods on the store shelf.

The term "free market" doesn't refer to politicians' being free to decide who wins and loses in the market. It refers to the market being free from government tampering and control—which it clearly isn't in scenarios like those mentioned. The real problem, then, isn't that business corrupts the political process, but rather that politics corrupts the business process.

Regardless of how big his company is, a businessman acting on his own can't physically force anyone to do anything. A storeowner, for instance, has no more right to pull a gun and make you buy his goods than you do to pull a gun and seize them. For a business to physically force you to do something, it must in some fashion tap into the political muscle of the state. This is true, because, as Ayn Rand wrote, "a government holds a legal monopoly on the use of physical force." She continued: "The nature of governmental actions is: *coercive* action. The nature of political power is: the power to force obedience under threat of physical injury—the threat of property expropriation, imprisonment, or death."[2]

In light of that, consider, for example, a burgeoning criticism of big developers: that they're using eminent-domain laws to force property owners to sell their land.[3] The evil here isn't that the developers are "big," or that they want to buy land, or that they want to build shopping centers. It would be just as wrong if the situation were reversed and "the little guy" was using eminent domain to force corporate giants to sell off *their* property.

Government Compulsion

The root of this wrong is the government—underwritten as always by law—compelling innocent parties to act against their will. It is because of such injustices that Frédéric Bastiat laments in the opening lines of his 1850 classic, *The Law*: "Instead of checking crime, the law itself [has become] guilty of the evils it is supposed to punish."[4]

There's certainly nothing commendable about a businessman who solicits bureaucrats for favors. But worse than that is the politician empowered to dole them out. Who's more villainous—a crook who'd like to steal your car or a cop who hands him the keys?

And what of the honest businessman, who desires simply to sink or swim by his own ability? Well, he's in a quandary. Since we don't have an unfettered free market, he's in the position of either being at the mercy of those with political pull or of having to lobby for the "privilege" of being let alone. Again, who's worse—the guy who pays protection money or the thugs who require it of him.

It's ludicrous to fault free enterprise for what are actually violations of free enterprise. It's absurd to ascribe to capitalism the sins of statism. If there's any "big" to beware, it's big government. □

1. Ludwig von Mises, *The Anti-Capitalistic Mentality* (South Holland, Ill.: Libertarian Press, 1972 [1956]), pp. 1–2.

2. Ayn Rand, "America's Persecuted Minority: Big Business," in *Capitalism: The Unknown Ideal* (New York: New American Library, 1967), p. 46.

3. See, for example, Steven Greenhut, "Costco's Big-Box Political Clout," *Orange County Register*, July 23, 2002; www.ocregister.com/commentary/columns/greenhut/2002/greenhut20020623.shtml; and Ron Scherer and Adam Parker, "Brooklyn Brouhaha: The Controversial Drive to Host a Sports Team," *Christian Science Monitor*, February 4, 2004, www.csmonitor.com/2004/0204/p02s01-usgn.html.

4. Frédéric Bastiat, *The Law* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1974 [1850]), p. 1.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

Herbert Spencer: Libertarian Prophet

by Roderick T. Long

At the time of his death a century ago, the English social theorist Herbert Spencer (1820–1903) was widely considered one of the most significant thinkers of his era, a scholar of encyclopedic learning and enormous vision whose works formed a regular part of university curricula in philosophy and the social sciences. Today he is seldom read, and although his name remains famous, his actual ideas are virtually unknown. Textbooks summarize Spencer in a few lines as a "Social Darwinist" who preached "might makes right" and advocated letting the poor die of starvation in order to weed out the unfit—a description unlikely to win him readers.

The textbook summary is absurd, of course. Far from being a proponent of "might makes right," Spencer wrote that the "desire to command is essentially a barbarous desire" because it "implies an appeal to force," which is "inconsistent with the first law of morality" and "radically wrong."[1] While Spencer opposed tax-funded welfare programs, he strongly supported voluntary charity, and indeed devoted ten chapters of his *Principles of Ethics* to a discussion of the duty of "positive beneficence."[2]

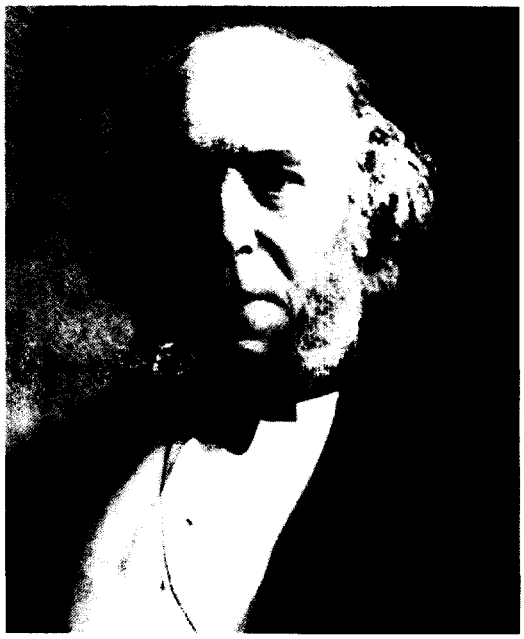
Roderick Long (longrob@mail.auburn.edu) teaches philosophy at Auburn University and maintains the website Praxeology.net. He is the author of Reason and Value: Aristotle versus Rand *(Objectivist Center).*

Spencer's evolutionary theories predated Darwin's by several years. For Spencer, neither physical nor social order requires deliberate design for its emergence; language, for example, was not the "cunningly-devised scheme of a ruler or body of legislators,"[3] nor is the economic organization of society, without which "a great proportion of us would be dead before another week ended," to be attributed to "the devising of any one."[4] Rather, order arises spontaneously, through the operation of natural laws; industrial civilization emerged "not simply without legislative guidance" but "in spite of legislative hindrances," through the "individual efforts of citizens to satisfy their own wants."[5]

The two chief modes of social organization are the *militant*—operating through *compulsory* cooperation and oriented toward violent conflict—and the *industrial*—characterized by *voluntary* cooperation and peaceful exchange.[6] The militant mode, Spencer maintained, was necessary at a certain stage in human history, before human beings had fully adapted to social existence; but its day is passing. Since "a society in which life, liberty, and property, are secure, and all interests justly regarded, must prosper more than one in which they do not," the selective pressures of social evolution can be expected to bring about a gradual shift toward the industrial mode.[7]

Spencer's long-run optimism was tempered, however, by short-run pessimism;

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



THE WARREN J. SAMUELS PORTRAIT COLLECTION AT DUKE UNIVERSITY

Herbert Spencer

Spencer's Law of Equal Freedom

"Every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man."

—SOCIAL STATICS

although militant society was destined to give way to industrial society eventually, there would inevitably be temporary reverses and detours along the way. And Spencer believed that the modern world, after a long period of liberalization, was headed into just such a retrograde phase. Observing an increase in "imperialism, re-barbarization, and regimentation,"[8] he foresaw this trend's eventual culmination in a "lapse of self-ownership into ownership by the community."[9] Like many classical-liberal thinkers at the end of the nineteenth century, Spencer prophetically predicted for the century to come a grim relapse into collectivism and war.

An Ethics of Liberty

In ethics Spencer dismissed the debate between egoism and altruism, maintaining that human interests, properly understood, are so interdependent that one cannot effectively pursue one's own welfare without giving others' needs their due, and vice versa.[10] Life and happiness are a human being's proper goals, but he can achieve these goals "only by the exercise of his faculties," and so "must be free to do those things in which the exercise of them consists." But since all human beings by this argument have a moral license to exercise their faculties, "then must the freedom of each be bounded by the similar freedom of all."[11]

Hence Spencer derived a *Law of Equal Freedom*: "Every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man."[12] Concluding that "whatsoever involves command or whatsoever implies obedience is wrong,"[13] Spencer proceeded to deduce, from the Law of Equal Freedom, the existence of rights to freedom of speech, press, and religion; bodily integrity; private property; and commercial exchange—virtually the entire policy menu of today's libertarians. His moral theory thus demands the complete displacement of the militant mode of social organization by the industrial.

Spencerian ethics is not exhausted by the Law of Equal Freedom; non-interference is the essence of justice, but ethics comprises beneficence (so long as it is *voluntary*) in addition to justice. Spencer insisted, however, that since production is logically prior to distribution, charitable assistance should aim at helping the needy to become productive rather than habituating them to a condition of dependence.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Liberalism and Democracy

Spencer lived in an age when the word "liberal" was beginning to change from its classical to its modern meaning. Where the earlier liberals had sought to promote the common welfare "as an end to be indirectly gained by the relaxing of restraints," the new liberals treat the common welfare "as the end to be directly gained," and by "methods intrinsically opposed to those originally used"—that is, by increasing governmental restraints instead of relaxing them.[14] While the new liberals, like the old, do not "presume to coerce men for their *spiritual good*," they nonetheless think themselves "called upon to coerce them for their *material good*."[15] "Most of those who now pass as Liberals," Spencer concluded, "are Tories of a new type."[16]

To the reply that the liberal state, unlike its predecessors, is justified in employing compulsory methods because its edicts express the will of the majority, Spencer answered that a majority imposing its will on a minority stands as much in violation of the Law of Equal Freedom as does the reverse; the "divine right of parliaments" is no less a "political superstition" than the divine right of kings.[17] Spencer granted the need for majority rule, but only on those matters that fall within the majority's jurisdiction.[18] The purpose of joining together to form a political community is the protection of individual rights; hence decisions about the *means* to this end fall within the competence of the majority, but decisions *contrary* to this end do not.[19] Modern democracy renders the individual citizen's refusal of consent invisible; whatever the citizen says or does is viewed through consent-colored spectacles, obliterating the possibility of a *no* that means *no*.[20]

Spencer saw the decline of liberalism—its deterioration from a doctrine of individual freedom to a doctrine of majoritarian despotism—as part of a general retrogression of modern civilization from industrialism to militarism. For Spencer there was an intimate connection between aggressive warfare abroad and political oppression at home; a society's "internal and external policies are . . . bound together."[21] He denounced European imperialism as a succession of "deeds of blood and rapine" inflicted on "subjugated races" by "so-called Christian nations."[22] But imperialist policies are harmful to the colonizers as well as to the colonized; war diverts capital from productive to destructive uses, thus squandering "the accumulated labor of generations"—and because it gives the domestic economy an illusory "appearance of increased strength," a state of war encourages politicians to impose higher taxes which the economy cannot in reality sustain.[23]

Militarism vs. Trade

Military action to promote international trade is a fraud: "Trade is a simple enough thing that will grow up wherever there is room for it. But, according to statesmen, it must be created by a gigantic and costly machinery."[24] In fact, such wars are waged not to promote the economic welfare of the common people, Spencer maintained, but instead to benefit powerful special interests, "rich owners"—the beneficiaries of government-granted privileges and monopolies—at the expense of "the poor, starved, overburdened people."[25]

While allowing that warfare is permissible as self-defense, Spencer added that few wars described as "defensive" really are such, and denounced any nation that "gives to its soldiers the euphemistic title 'defenders of their country,' and then exclusively uses them as invaders of other countries."[26] Spencer thus opposed his own nation's military adventures in Afghanistan, India, South Africa (the Boer War), and elsewhere.

Foreign expansionism, Spencer taught, brings domestic tyranny in its wake. Given that "the nations of Europe are partitioning among themselves parts of the earth inhabited by inferior peoples, with cynical indifference to the claims of these peoples," the governments of these nations can hardly be expected to "have so tender a regard" for the rights of their own citizens.[27] Indeed,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"the exercise of mastery inevitably entails on the master himself some form of slavery," since "unless he means to let his captive escape, he must continue to be fastened by keeping hold of the cord."[28] Hence the need to maintain the subjugation of foreign peoples inevitably requires an ever greater imposition of constraints on the conquering state's domestic citizens as well, until "the army is simply the mobilized society and the society is the quiescent army"[29]

While the long-run tendency of social evolution, he believed, is toward industrial society, and thus toward peace, Spencer viewed the immediate future with despair—in his later years increasingly so. The inexorable short-run trend of modern civilization, he came to believe, is toward greater political centralization, hyper-regulation, and militarism; as governments grow more powerful, popular culture grows more vulgar and brutal, each trend serving to reinforce the other. The few remaining lovers of peace and liberty are doomed to political irrelevance as militant society regains dominance for the foreseeable future.

At the time of Spencer's death the number of libertarians was indeed dwindling. Today, a century later, it is growing. The centralized, hierarchical information channels of the political elite have been superseded by the Internet, the supreme embodiment of voluntaristic, "industrial" social interaction. The state still regulates, regiments, and kills, but an antithetical mode of life is sprouting in its interstices.

Spencer saw his own voluminous writings as a bitter cry of protest in the face of irresistible defeat. But for those of us who stand at the beginning of the 21st century, they can serve instead as an inspiration in our struggle to reverse the trend of history from the militant to the industrial mode. □

1. Herbert Spencer, *Social Statics: The Conditions Essential to Human Happiness Specified, and the First of Them Developed* (New York: Robert Schalkenbach Foundation, 1970), pp. 144–45, available online at oll.libertyfund.org/Texts/ToC/0331_ToC.html.
2. Herbert Spencer, *The Principles of Ethics* (2 vols.), ed. Tibor R. Machan (Indianapolis: Liberty Fund, 1978), available online at oll.libertyfund.org/Texts/ToC/0155_ToC.html.
3. Herbert Spencer, *The Man Versus the State, with Six Essays on Government, Society, and Freedom* (Indianapolis: Liberty Fund, 1992), p. 437; available online at www.econlib.org/library/LFBooks/Spencer/spnMvSContents.html.
4. Herbert Spencer, *Illustrations of Universal Progress: A Series of Discussions* (Chestnut Hill Mass.: Elibron Classics, 2000), p. 320.
5. Ibid., p. 320.
6. *The Man vs. the State*, p. 6.
7. Herbert Spencer, *The Principles of Sociology*, vol. 2 (New York: D. Appleton, 1884), p. 608.
8. Herbert Spencer, *Facts and Comments* (New York: D. Appleton, 1902), p. 200.
9. Herbert Spencer, *The Principles of Sociology*, vol. 3 (New York: D. Appleton, 1910), p. 605.
10. *Principles of Ethics*, vol. 1, pp. 217–85.
11. *Social Statics*, p. 69.
12. Ibid., p. 95. (This is the passage to which Justice Oliver Wendell Holmes was referring when, in his famous dissent in *Lochner v. New York*, he opined: "The Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statics*.")
13. Ibid., p. 145.
14. *The Man Versus the State*, pp. 14–15.
15. Ibid., pp. 267–68.
16. Ibid., p. 5.
17. Ibid., pp. 24, 123.
18. Ibid., p. 130.
19. What about people who do not wish to join any political community, for any purpose? In his first book, *Social Statics* (1851), Spencer included a chapter on "The Right to Ignore the State"; in later years he deleted the chapter from subsequent editions, apparently embarrassed by its anarchistic implications.
20. *Social Statics*, p. 190.
21. *The Man Versus the State*, p. 174.
22. *Social Statics*, pp. 328–29.
23. *The Man Versus the State*, p. 211.
24. *Social Statics*, p. 323.
25. *The Man Versus the State*, p. 220.
26. *Principles of Ethics*, vol. 2, p. 67.
27. Ibid., vol. 2, pp. 239–40.
28. *Facts and Comments*, p. 158.
29. *The Man Versus the State*, p. 74.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

Why Did the National Road Fail?

"Let's build a national road across the country!" many Americans cried in the early 1800s. The idea of a national road was appealing because it would encourage settlement by connecting the east coast with the interior of the recent Louisiana Purchase.

So popular was the idea that in 1806, Congress voted to fund such a road, and Thomas Jefferson signed the bill. Constitutional arguments were important in this debate. Those who favored the road argued that it was a "post road" for mail delivery, and thus was consistent with Article 1, Section 8, of the Constitution.

But would the national road—which would eventually stretch from Cumberland, Maryland, to Vandalia, Illinois—be economically sound? Put another way, even if the road was a good idea, was government funding the best means to achieve it? After more than 700 miles and $7 million in construction costs, we can answer that question. No, the national road was not sound. Nor was it particularly helpful to westward settlement. By 1850 it was little used, and soon after that it was almost abandoned. What went wrong and why?

Three problems inherent in government funding help explain why the national road largely failed.

Burton Folsom, Jr. (Burt.Folsom@Hillsdale.edu) is Charles Kline Professor in History and Management at Hillsdale College. He is the author of The Myth of the Robber Barons, *now in its fourth edition.*

First, when government money is used to build a road, political decisions, not economic ones, dictate where it is built. In other words, congressmen with political pull will try to draw the road to their districts, whether that route is economically sound or not. As the national road moved north and west from Cumberland to Wheeling, (West) Virginia, it detoured through Uniontown and Washington, Pennsylvania. Why? Because Jefferson's treasury secretary, Albert Gallatin, lived in Uniontown, and he persuaded Jefferson to swing the road there. Gallatin also urged Jefferson to run the road on a northern detour into vote-rich Washington County during an election year. "[T]he county of Washington," Gallatin wrote Jefferson, "with which I am well acquainted, having represented it for six years in Congress, gives a uniform majority of about 2000 votes in our favor and that if this be thrown, by reason of this road, in a wrong scale, we will infallibly lose the State of Pennsylvania in the next election." Jefferson responded curtly that "a few towns in that quarter [of Pennsylvania] seem to consider all this expense as undertaken merely for their benefit." But he still sanctioned Gallatin's detours.

Second, when the government builds a road, it will cost more than if entrepreneurs build it. The national road was built with stone (crushed and solid), and it became one of the most expensive roads, if not the most expensive, in the United States in the early 1800s. For example, the privately funded Lancaster Turnpike, also built with stone,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cost $7,500 per mile—versus $13,000 per mile for the national road. The builders of the Lancaster Turnpike were spending their own money and had to spend it wisely, or the tolls would not cover their expenses. Those in charge of the national road, by contrast, were political appointees, described by one newspaper editor as being "as numerous as the locusts of Egypt." Funded with taxpayer dollars, the national road never charged tolls, so it never had to turn a profit.

This leads to the final point. Because no one owned the national road, no one had a strong stake in building it well, or preserving it once it was finished. Almost every firsthand account we have suggests that the road was shoddily constructed. Even in its heyday it was never fully paved; it always had gaps and always needed repairing.

For example, Lt. Henry Brewerton of the Corps of Engineers inspected the road in Ohio and found inferior mortar and materials in its construction and tree stumps scattered throughout. Brewerton echoed those who claimed the road fell into disrepair faster than it could be built. Western travelers moaned constantly about the bumpy rides, the steep grades, and the mudslides. David Shriver, the superintendent of the road, complained that travelers stole bridge walls, milestones, and building materials. Lucius Stockton, who traveled the whole of the road and tried to run a passenger service on it, said, "Generally speaking the surface is entirely destroyed, or sunk under the foundation. . . . In one place the foundation itself has been carried away."

R. J. Meigs, the U.S. Postmaster General in the 1820s, found the road almost impassable and the mail, therefore, almost undeliverable. So slow and erratic was federal mail delivery on it that many merchants along the road used private couriers to ensure speedy and reliable mail service.

Express Mail Started

How ironic! Using the national road as a federal post road was the key to making it constitutional—yet privatized mail service regularly outperformed the U.S. Post Office. In desperation, the Post Office added "express mail" service to try to compete with private couriers on the road, but even that often proved to be slower and more irregular than the private couriers. Angry residents along the road and elsewhere sent express-mail letters postage-due to congressmen complaining about the poor service. Reeling from an avalanche of hostile letters, the Postmaster General instructed all postmasters not to deliver any express mail postage-due to "the President or any head of department."

By the 1830s, therefore, many congressmen were having second thoughts about using federal funds for the national road. Some of them, like John Campbell of South Carolina, asked, "Who can suppose that the opening of roads by the government is necessary to attract the farmer to the virgin soil of the West?" Other roads, built by the states or by entrepreneurs, also brought immigrants westward. These roads were clearly constitutional, and they needed no federal tax dollars to operate.

The U.S. government, therefore, began in the 1830s to give pieces of the national road to the states in which they were located. Pennsylvania and Maryland, however, refused to accept their pieces even as gifts until they were repaired and made more usable for travel. By 1840, railroads had emerged, and the national road, even the serviceable parts, was becoming obsolete. But it did serve a useful purpose in teaching Americans this lesson: federally funded transportation is neither a necessary nor a desirable way to fill a continent with settlers. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

Education Is the Effect, Not the Cause, of Affluence

by Jude Blanchette

Despite its abysmal record, the United Nations wears a mantle of legitimacy in the popular discourse. Almost every daily newspaper or nightly newscast reports some UN-sponsored agency's activities regarding world hunger, climate change, disease, or some other problem. All too often the UN is on the wrong side of reality. Take its latest "solution" to third-world poverty: state education.

The UN's International Labor Organization (ILO) recently asserted that third-world poverty could be drastically reduced by heavy investments in government schools. According to Frans Roeselaers, director of the ILO's International Programme on the Elimination of Child Labour, a child who attends school rather than toiling away in a factory "gives enormous, almost astronomical returns in terms of both productivity and increased wages as the child grows up and becomes a worker."[1] Thus the ILO recommends a massive wealth transfer overseen by government. That it would recommend such a program should come as no surprise to anyone familiar with its history and ideology.

Although created at the post-World War I Paris Peace Conference in 1919 and established in Geneva a year later, the ILO harks back to the ideas of the nineteenth-century Welsh communitarian Robert Owen and the French industrialist Daniel Legrand, both of whom died in the 1850s.[2] From its inception the ILO has agitated for increased government control over the labor market.

During the organization's golden age of the 1950s and '60s, under the leadership of an American, David Morse, "the budget grew five-fold and the number of officials quadrupled."[3] In 1969 it was awarded the Nobel Peace Prize. The history of the ILO is eerily similar to most UN agencies: little or no achievement coupled with massive increases in budget, payrolls, and prestige.

The guiding principles of the ILO foretell an organization committed to statist notions of "justice" and "freedom." Article II of its Declaration Concerning the Aims and Purposes of the International Labour Organization, the annex to the ILO constitution, declares that "lasting peace can be established only if it is based on social justice."[4] But as Thomas Sowell has noted, there is no form of justice that isn't social.[5] Law resides in the realm of man only, and as such, it is a wholly social concept. Nobel laureate F. A. Hayek pointed out that "social justice" is a fairly nebulous term. More often than not, it is used synonymously with income redistribution. "The most common attempts to give meaning to the concept of 'social justice,'" Hayek wrote, "resort to egalitarian considerations and argue that every departure from equality of material benefits enjoyed has to be justified by some recognizable common interest which these differences serve."[6]

Jude Blanchette (jblanchette@fee.org) is a research fellow at FEE.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Capital in the hands of the productive is beneficial for both the capital owners and society at large. Those who create wealth should be left free to do so—prosperity for the masses depends on it.

With "social justice" as the ILO's guiding principle, it follows that Article III of the Declaration states that the ILO will work to "ensure a just share of the fruits of progress to all."[7] But exactly what is a "just" share of the world's wealth? Who will decide this amount? How will it be obtained? One can assume that it will be left up to the state. As Roeselaers bluntly puts it, "This is primarily a political rather than economic question."[8]

Nowhere does the ILO even glimpse the price to be paid for such a policy. "In the open and free society," the great development economist P. T. Bauer wrote, "political action which deliberately aimed to minimize, or even remove, economic differences would entail such extensive coercion that the society would cease to be open and free. The successful pursuit of the unholy grail of economic equality would exchange the promised reduction or removal of differences in income and wealth for much greater actual inequality of power between rulers and subjects."[9] Bauer's principle would hold true in third-world countries where dictatorial governments expropriate the wealthy in an attempt to subsidize the masses. But once a government asserts that the fruits of one's efforts belong to society, the major incentive for saving and investment is destroyed.

Starvation by Redistribution

Zimbabwe provides a painful illustration of "social justice" at work. By expropriating the property of the landed farmers, President Robert Mugabe effectively destroyed the nation's ability to feed itself. Starvation and poverty have been the explicit outcome of government distribution.[10] Capital in the hands of the productive is beneficial for both the capital owners and society at large. Those who create wealth should be left free to do so—prosperity for the masses depends on it. Government's role in alleviating poverty is to augment capital creation, something it can only do by supporting property rights and establishing a uniform rule of law.

By calling for universal health care, child welfare, maternity protection, full employment, and "equality of educational and vocational opportunity,"[11] the ILO essentially agitates for a welfare state on a global scale. But that is not a promising route out of poverty.

Those employed by the ILO undoubtedly care about the poor. So it is ironic that the organization continues to subject the poor to all manner of disastrous schemes.[12] From global minimum wages to condoms to foreign aid, the panacea for third-world growth has eluded these UN planners. But this has not slowed down the flow of programs, taxes, and aid schemes.

The latest is education through government wealth transfers.

The ILO plan has three parts.[13] First, there would be a massive expansion of school construction and purchase of educational materials, as well as a reduction in class size. Second, governments would introduce "income transfer programs" to "target all families with school-age children now living in poverty, providing benefits according to a formula taking into account the average value of children's work, the number of children per household and the degree of the household's poverty."[14] Last, the ILO seeks a "programme of interventions aiming at the urgent elimination of the worst forms of child labour."[15]

In its study on the elimination of child labor, the ILO makes some specious eco-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Child labor is a symptom of poverty, not the cause of it, and universal education is not the cause of affluence but rather its result. To advocate the abolition of child labor through universal schooling is to ignore the underlying economic realities that have put children in this position in the first place.

nomic and methodological assumptions. At the outset the study declares, "The study does not tell us *whether* to eliminate child labour—these commitments are already in place."[16] How is a reader to trust the data used and the conclusions reached by a study that proclaims on page one that the authors have already made their minds up before data was even collected? Second, the ILO researchers brush off the need to factor in the costs of income transfers. The transfers are "not regarded as an economic cost, since no 'real' resources are allocated in conjunction with the money."[17] Frédéric Bastiat proved over 150 years ago that there *are* costs incurred when the holder of wealth loses the opportunity to spend his resources the way he feels they will benefit him the most.

Methodological differences aside, the ILO seems to have a point as far as it goes. Certainly educating children is in the long run far more productive for a country and the world than having them sew shoes. The formative years of a child's development should be spent learning and interacting with other children. Yet child labor is a *symptom* of poverty, not the cause of it, and universal education is not the *cause* of affluence but rather its result. To advocate the abolition of child labor through universal schooling is to ignore the underlying economic realities that have put children in this position in the first place. Children don't work because their parents are cruel; they work because in developing economies, capital investment and labor productivity are so low that parents alone can't support their children.[18] If the entire population of sub-Saharan Africa became educated at the Ph.D. level, poverty would still not abate.

According to the ILO, "There are also two principal benefits [to educating children], the added productive capacity a future generation of workers would enjoy due to their increased education, and the economic gains anticipated from improved health due to the elimination of the worst forms of child labour"[19] While this is all fine and good, the problem remains that there is a natural process of development that the ILO thinks can be bypassed. It wants to share in the benefits of an educated, affluent population without the *unavoidable and naturally* resulting economic progression that has occurred in every other developed nation.

If lack of high-quality government education were indeed the cause of poverty, then it is doubtful that the United States would rank as one of the most prosperous countries in history. The record of "public" education in America has been abysmal. Total spending has increased markedly over the past 100 years, while little or no progress has been made in student performance.[20] Yet despite this record of failure, Americans enjoy a quality of life that is among the highest in the world. In the United States, property rights, restrained government, and the freedom to work, save, and invest have provided the foundation for ending poverty. Long before President Lyndon Johnson declared "war" on it, industrial societies had ended the historical phenomenon of crushing poverty.

Government-Made Hurdles

The hurdles to wealth creation are primarily government-made and must be eliminated. If property rights are not protected,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

how is a factory owner to buy his inputs and sell his wares? If property rights aren't enforced, how are accurate prices to emerge—prices necessary for rational economic calculation? If prohibitive regulations stifle innovation, how are entrepreneurs to create new wealth? If taxation is confiscatory, how can they reinvest?

Countries that share the legacy of poverty and disease also share one other attribute: oppressive government. From Zimbabwe to North Korea, Iran to Cambodia, the heavy hand of the state dominates all aspects of civil society. Property rights are widely ignored, and the rule of law is nonexistent. Furthermore, using the coercive apparatus of government to transfer massive sums of wealth from one segment of society to another destroys the incentives conducive for prosperity.

What if it were possible to send children to school at little or no cost? Should it naturally fall to government to educate them? Again, the ILO remains loyal to the statist creed. Despite government's failure in educating children, the ILO's moral imagination stretches no farther than a nation's capital. It is as if the ILO believes that simply by sticking children in a government school run by government employees, "education" will automatically occur.

In the debate about world poverty the disagreement is over means, not goals. Most people would prefer to see children learning rather than sweating in a field or factory. That is a worthy goal. Indeed, it is a goal that has been achieved in the United States largely because of the great degree of economic freedom. Endemic misery cannot be alleviated by government fiat. As long as the UN is around, one can expect innumerable plans, schemes, and programs for the elimination of poverty. The lesson of history, however, is unambiguous regarding government's role in wealth creation: keep property rights secure and leave the people free. □

1. Quoted in John Madslien, "ILO: 'Child Labour Prevents Development,'" BBC News, February 4, 2004, http://news.bbc.co.uk/1/hi/business/3451117.stm.
2. "ILO History," at ILO's website, www.ilo.org/public/english/about/history.htm.
3. Ibid.
4. Constitution, annex, www.ilo.org/public/english/about/iloconst.htm#annex.
5. Thomas Sowell, *The Quest for Cosmic Justice* (New York: Free Press, 1999).
6. F.A. Hayek, *Law Legislation and Liberty*, vol. 2, *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976), p. 80.
7. Constitution, annex.
8. "ILO: 'Child Labour Prevents Development.'"
9. P. T. Bauer, *Equality, the Third World, and Economic Delusion* (Cambridge, Mass: Harvard University Press, 1981), p. 8.
10. See Martin Meredith, *Our Votes, Our Guns: Robert Mugabe and the Tragedy of Zimbabwe* (New York: Public Affairs, 2002).
11 Constitution, annex.
12. See Jude Blanchette, "The Futility of Foreign Aid," *The Free Market*, July 2003.
13. International Labor Organization, "Investing in Every Child: An Economic Study of the Costs and Benefits of Eliminating Child Labour," December 2003, pp. 1–2, www.ilo.org/public/english/standards/ipec/publ/download/2003_12_investingchild.pdf.
14. Ibid., p. 2.
15. Ibid.
16. Ibid. p. 1.
17. Ibid., p. 3.
18. See W. H. Hutt, "The Factory System of the Early Nineteenth Century," in F. A. Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press/Phoenix Books, 1963), pp. 179ff.
19. "Investing in Every Child," p. 3.
20. See Peter Brimelow, *A Worm in the Apple* (New York: HarperCollins, 2003).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004

Tariffs Are Legal Plunder

by Dean Russell

Everybody has an issue he reacts to most intensely. [Frédéric] Bastiat's was tariffs. And his most barbed comments were directed against those who favored governmental protection of national industry from foreign competition. He thought this legal method of cheating consumers by keeping prices above the market was a perfect example of how governments plunder their own citizens while promising them more jobs, lower taxes, better quality, and other rewards they can't possibly deliver.

Bastiat's definition of socialism, i.e., using the law to take money from some people and give it to other people, could more accurately be translated today as "the welfare state." Even so, I'll stick with his term—socialism. And he believed that the idea behind tariffs and other restrictions against free trade was the keystone that supported the legal plunder he saw all about him. He was convinced that if tariffs were abolished, the other elements of socialism would begin to collapse.

He was probably right. For if there were no restrictions against foreign competition—i.e., if foreign goods and capital were treated exactly like domestic goods and capital—the fearful cost we are paying for the other economic compulsions and prohibitions by government would be easily observed by everyone, and would thus soon fall.

Among the several "story examples" offered by Bastiat to expose the fallacy of improving the domestic economy by restricting foreign imports, his allegory on prohibiting Belgian iron from entering France is a classic. He begins by following the thoughts and actions of just one French producer of iron. A century and a third after he wrote it, his story reads as though the essence of it were adopted from today's *Congressional Record* or from the editorial pages of any one of hundreds of our daily newspapers.

> Our French protectionist was well aware that Belgian mine owners were able to produce and ship iron into France at less cost than he and other French mine owners could produce it and sell it at home. That fact was naturally reflected in the comparatively low price of Belgian iron in French markets. And just as naturally, the French people bought most of their iron from Belgian producers instead of from their own domestic producers. That fact displeased the French mine owners exceedingly, and the one we are here discussing decided to do something about it.
>
> At first, he considered the possibility of *personally* stopping that undesirable trade. He thought that he might take his gun, sally forth to the frontier, and kill the nailmakers, locksmiths, and other users

The late Dean Russell was a long-time member of FEE's staff and the author of Frédéric Bastiat: Ideas and Influence, The TVA Idea, *and* The Conscription Idea. *This article is reprinted from the October 1984 issue of* The Freeman.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of iron who crossed the border into Belgium to patronize his competitors. That would teach them a lesson!

But, unfortunately, there was the possibility that those buyers of Belgian iron might object to being killed, and kill him instead. Moreover, he knew that he would have to hire men to guard the entire frontier to make his plan effective. That would cost more money than he had. So our hero was about to resign himself to freedom, when suddenly he had a brilliant idea.

He remembered that at Paris there is a large factory engaged in producing laws. He knew that everyone in France is forced to obey the laws, even the bad ones. So all he needed from the Parisian law-factory was just one small law: *Belgian iron is prohibited.*

Then, instead of having to guard the frontier with his own few employees, the government would send 20,000 guards—chosen from the sons of the very locksmiths and enginemakers who were carrying on this undesirable trade with the Belgians. Better still, the domestic mine owner himself wouldn't even have to pay the wages of those guards. That money would be taken from the French people in general, much of it from the self-same buyers of Belgian iron. Our hero could then sell his iron at his own price.

With this ingenious plan, our French mine owner proceeded to the law-factory in Paris. ("At some other time," interjected Bastiat, who was himself a deputy, "I may tell you of his underhand methods, but here I wish to speak only of what was divulged to the public.")

The protectionist ironmaker urged the authorities of the law-factory to consider the following argument: "Belgian iron sells in France for 10 francs per hundred pounds. But I would prefer to sell it for 15 francs. Now if you will only produce a law that says, *Belgian iron shall no longer enter France,* the following wonderful results will occur. For each hundred pounds of iron that I sell to the public, I shall receive 15 francs instead of 10 francs. As a result, I can expand my business and employ more workers. My workers and I will have more money to spend. This will help the tradesmen in our community. The tradesmen will, in turn, then also buy more goods. That will mean larger orders to their suppliers all over France. Those suppliers, in turn, will also expand their businesses and hire more workers. Thus employment and prosperity will increase throughout France. All this will result from that extra five francs that your law will permit me to charge."

The producers of the laws in the law-factory were charmed indeed by the logic of our hero. They rushed to produce the requested law. "Why talk of hard work and economy," they said, "and why use an unpleasant way to increase the wealth of our nation when a single law can do the same thing."

Familiar Argument

That argument for protection from foreign competition is precisely (word for word) the argument advanced today in Congress and the media in general to support restrictions against Japanese automobiles, Brazilian shoes, Swedish steel, Argentine beef, and Chinese textiles. And, again, that's the reason Bastiat's works are as readable today as they were in 1850; he was dealing with ever-present and universal problems.

"OK," you may observe, "but you've got to admit that protectionism works, just as Bastiat's fictional mine owner claimed. When the owners of the protected industries spend their profits, it does indeed create more jobs. Unrestricted foreign competition would simply wipe out all those jobs and profits. So what's wrong with the French mine owner's argument, if anything?"

Bastiat offered an answer to that question when his fellow-legislators advanced it in the 1800s.

> Now in all fairness, we must do justice to the arguments of this mine owner who wanted a tariff to increase domestic employment. His reasoning was not

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

entirely false, but rather incomplete. In securing from the government a special privilege, he had correctly pointed out certain results that can be seen. But he completely ignored certain other effects that cannot be seen.

True enough, the five-franc piece thus directed by law into the cash-box of the domestic producer does serve to stimulate the economy along the lines he predicted. That can easily be seen. But what is not seen is this: That five-franc piece comes, not from the moon, but from the pocket of some French citizen who must now pay 15 francs for the thing that cost him only 10 francs in a free market. And while the protected industrialist may well use the five francs to encourage national industry, the French citizen himself would also have used it for the same purpose, if he had been left free to do so. He would have used his five francs to buy a book, or shoes, or some other article or service he wanted. In either case, national industry as a whole would be stimulated by the same amount.

Thus the new tariff law has resulted in this: The protected industry now makes a high profit to which it is not justly entitled. The average French citizen has been duped out of five francs by his government, and must therefore do without the article or service he would have bought with it. One segment of the economy has profited at the expense of many others. True enough, because of the artificial price increases, new jobs have been created in the protected industry. But what is not seen is the fact that the extra money now spent for iron must necessarily result in reduced spending for other products and services, and thus fewer jobs in those industries. And worst of all, the people have been encouraged to think that robbery is moral if it is legal.

A popular argument today (one that Bastiat never heard) is that those five francs spent by the owners would actually be *more productive* than the same amount spent by U.S. consumers. The economists who support that argument assume that efficiency under "protected prices" will remain the same as under competition, and that the promised profits will be there as specified, and that those profits will be spent on new equipment, e.g., the United States Steel Corporation will actually use its government-created profits to modernize its facilities and *not* use them to buy an existing oil company. For the most part, however, reality simply doesn't work out in harmony with that theory that's still supported by so many of our leading economists.

As Bastiat said, all tariffs result in a net loss to the national economy and to the people in general. He demonstrates this net loss (both in products and satisfaction) in one of his stories on "compensatory tariffs," i.e., retaliation against foreigners when they have an advantage (natural or artificial) that's not possessed by our own producers. He was referring to cheaper labor costs abroad, subsidies and tax concessions given to native producers by their governments, and other advantages that foreign producers are said to have over domestic producers.

A poor peasant in France had planted a few grape vines of his own. After much sweat and time, he harvested enough grapes to make a cask of wine. "I shall sell this wine," he said to his wife, "and buy enough material to enable you to make a trousseau for our daughter."

Our honest peasant took his cask of wine to the nearest town. There he met an Englishman and a Belgian, and began to bargain with them about exchanging his wine for cloth.

The Belgian said, "Give me your wine, and I will supply you with 15 parcels of the material you want."

Then the Englishman entered the bargaining with this offer, "Since we English can manufacture cloth at less cost than the Belgians, I will give you 20 parcels for your cask of wine."

The peasant was about to sell to the Englishman when a customhouse official, who had heard the conversation, spoke to the wine owner, "My friend," he said,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"trade with the Belgian if you wish, but I have orders to stop you from trading with the Englishman."

The astounded countryman exclaimed, "What! You wish me to be content with 15 parcels of material that come from Brussels when I can get 20 parcels that come from Manchester?"

The customhouse official answered, "Certainly, don't you understand that France would suffer if you receive 20 parcels instead of 15?"

The peasant didn't understand it at all, and said so in no uncertain terms.

Replied the customhouse official, "Well, I'm sorry I can't explain it, but there is no doubt that it's true. You see, all our government officials and journalists have agreed that the more a nation receives in exchange for its products, the more it is impoverished."

Thus because of the protective French tariff against low-cost English textiles, the peasant got just as good a bargain by exchanging his wine for high-cost Belgian textiles. As a result, his daughter got only three-fourths of her trousseau. And those unsophisticated countrymen are still wondering to this day how it happens that a person is ruined by receiving four yards of cloth instead of three. They still don't understand why a person with nine towels is richer than a person with 12.

A Modern Application

I sometimes suggest to my students in international marketing that the use of compensatory tariffs by the European Common Market today gives precisely the same result that Bastiat pointed out in his story, i.e., tariffs cause higher prices and a decrease in products and services always. The students seem to understand the idea better when I put the transaction in story form, à la Bastiat.

"Take wheat, for example," I begin. "And let's follow the American owner as he enters a European port with a shipload of wheat grown in Kansas. The American owner wants to sell his wheat for, say, $3 a bushel. But the officials in the European Economic Community refuse to accept that low price and insist that the European purchasers must pay a much higher price."

At that, my students begin to look at me strangely. "You mean the European people insist on paying more for the wheat to bake their daily bread than they need to?"

"That's right," I answer. And in spite of their doubting expressions, I continue with my story.

"You see, while the Europeans believe in competition, it must be fair competition. And those vast wheat lands in Kansas are just better suited to grow wheat than are the small European farms. So it's not fair competition—obviously. Further, those Kansas farmers have another big advantage, i.e., vast amounts of capital (farm machinery) that's just not available to European farmers. The result is unfair competition, i.e., the costs of production for many wheat farmers in Europe are perhaps twice as high as in Kansas. And while most Europeans claim to favor the free market economy and open competition, naturally it must be fair competition. Everybody is in favor of competition, as long as it's fair. And since fair competition is obviously impossible when the Americans enjoy those two big advantages, tariffs must be used to equalize the situation. Fair's fair, you know.

"First, the EEC officials check around Europe to find the cost of producing a bushel of wheat by the most inefficient wheat producer in all of Europe. The chances are that'll be a French farmer who insists on growing grain on his land when the market says grapes or vegetables.

"Once the costs of this most inefficient wheat farmer in all of Europe are determined, then the compensatory tariff to wipe out the American production-advantage is set so that European consumers will find little or no advantage in buying American wheat over French wheat. The price to them will be about the same.

"That's what most people seem to mean by 'equal competition,' i.e., tariffs to wipe out any advantage (natural or man-made) enjoyed by the foreign producer over the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

domestic producer. The result is that the Europeans must pay perhaps 100 percent more for their daily bread than would be necessary under free trade. And since there are always low-cost producers in any industry, those European wheat farmers who are more efficient than that marginal French wheat farmer just automatically reap high profits—while the people in general have less bread and other goods and services."

Paying More Is Good?

By now, the students are horrified, of course. It's just inconceivable to them that any people are so gullible as to pay twice as much as they need to pay for products and services. Then, to give them an even worse example, I take them to Japan and the "orange situation." I explain that the Japanese insist on paying perhaps four times as much for their inferior domestic oranges as they need to pay for superior California oranges. We Americans have been trying for years to sell our excellent oranges to them at exceedingly low prices. The Japanese refuse to let us do it, however, and continue to insist that they're better off when they pay three and four times as much as we are willing to charge.

At that point, some of my students become so angry at this "Japanese inscrutability" that they seem almost willing to go to war again to straighten those people out. You doubtless have guessed what I do next—I bring them back home and point out that we Americans insist on forcing ourselves to pay at least 50 percent more for an American car than the Japanese are willing to charge us for a similar or better car.

A chill settles over the classroom. The students who've been deriding those inscrutable Japanese are suddenly quiet. Then I begin to hear the all-too-familiar arguments you hear every day in Congress and read every day in your local newspaper—precisely the same arguments Bastiat heard as a member in the French Chamber of Deputies in 1848. "But we must protect American jobs. Those Japanese have the advantage of efficient and disciplined labor. It's a part of their culture, and it's obviously not fair. We Americans truly believe in the free market, of course, and competition. But the competition must be fair." And so on and so on.

Truly, most of us Americans honestly believe that a nation prospers by paying more and getting less. Were that not so, tariffs and all other restrictions against peaceful people freely exchanging their goods and services would disappear immediately. We blind ourselves to reality by concentrating on the producers and their problems instead of on us consumers and our problems. We worry about *who* produces, instead of what is produced and at what price. We just don't seem to understand that a nation and its people are better off when we get more for our money, i.e., when we have more products and services, not less.

I now understand what Bastiat meant when he observed that logic is not in any way related to laws that (in various ways) take money from people who have earned it and give it to people who have not earned it. According to Bastiat, that process is the mainspring of socialism, and it's a sure way to the destruction of *both* the producers and the consumers in any nation. □

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BOOKS

Gulag: A History

by Anne Applebaum

Doubleday • 2003 • 677 pages • $35

Reviewed by Richard Ebeling

Siberia. The word has had a chilling connotation for people around the world for 200 years. Long before Lenin and the Bolsheviks came to power in 1917, the tsarist regime had used the vast area that stretches from the Ural Mountains to the Pacific and Arctic Oceans as a place of exile and forced labor for dissidents, political prisoners, and ordinary criminals.

Indeed, the Russian imperial government had sent off many of the leading figures of the future Soviet government into exile in the years before World War I, including Lenin and Stalin.

But as cruel as the tsarist system may have seemed to those who suffered under it, it was mild and benevolent in comparison with the future Soviet regime.

When Lenin and Stalin were ordered into exile by the Russian authorities at the beginning of the twentieth century, they traveled to their places of exile on their own recognizance, with government railway passes to their destinations in Siberia.

They lived in isolated villages, but they could hunt and fish, read and write, and maintain correspondence with their friends and comrades. Political prisoners sent into exile were considered to be above the common criminal, people of ideological conscience who were to be treated differently.

Having lived and continued to work for their Marxist cause in Siberian exile under the tsars, the Bolshevik leaders knew the strengths and weaknesses of the prison and exile systems of the Russian Empire. When they came to power in November 1917, they soon introduced their own system of prisons and forced-labor camps in the huge reaches of the empire they inherited during and after the Russian Civil War of 1918–1921, which had left them fully triumphant. Lenin and Stalin understood that any system of imprisonment and exile like the one they had lived through under the tsars would enable their opponents to maintain and extend their opposition to Soviet power.

Thus the new prison system that became the Gulag was designed to prevent and indeed destroy any ability for enemies of the communist regime to continue their resistance. Furthermore, and most especially under Stalin, the Gulag was turned into a vast slave system to provide the human material for "building socialism" with cheap and seemingly limitless supplies of labor.

In other words, during the 25 years of Stalin's leadership of the Soviet state, the Gulag was made into an essential element in the system of socialist central planning for the construction of entire new industrial cities in empty and inhospitable regions of northern Russia, Siberia, and Central Asia, and supplied manpower to extract raw materials and precious metals from regions of the country that were virtually unfit for human habitation.

From Lenin's time to the end of the Soviet system under Gorbachev, literally millions of victims of the regime entered and passed through the Gulag system, with many of them never living through the experience. But among those who did survive the ordeal, hundreds wrote about the nightmare of it all. And from the 1920s to the 1990s many of these accounts were published in the West. Alexander Solzhenitsyn's three-volume *Gulag Archipelago* and Eugeniya Ginsburg's *Journey into the Whirlwind* and *Within the Whirlwind* are among the better-known accounts that have been available to the Western reader. And David Dallen and Boris Nicolaevsky's *Forced Labor in Soviet Russia* and Nikolai Tolstoi's *Stalin's Secret War* have been among the carefully documented secondary summaries of the nature of the system.

But Anne Applebaum's *Gulag: A History* is the first volume that attempts to give a detailed and fairly comprehensive narrative of the origin, purpose, workings, and reality

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the system based on both the memoirs of those who lived through and survived the camps and the now-available archives in Russia.

The first part of the volume is devoted to explaining how the first prison camps were established in 1918 on islands in the White Sea in northern European Russia. The prisoners were mostly non-Bolshevik socialists. Soon the apparent tsarist style of imprisonment was replaced with the cruel severity that became the hallmark of the system in future years. Even so, the Bolsheviks at first tried to make it a showcase of humane treatment, but the camps on the islands were soon closed to prevent visitors from seeing the reality of how they were run.

The first great exercise with slave labor was also given publicity: the building of the White Sea Canal. But this was never done again, especially after the canal fell into disuse because of the poor and primitive manner in which it was constructed.

The Soviet leadership, in fact, did not want attention for the Gulag. Its purpose was not propaganda but rather mass labor under increasingly despicable conditions.

Applebaum recounts the arrest processes and the initial imprisonments. To obtain confessions prisoners were kept awake day and night, made to stand during the long hours of interrogation, beaten, tortured, and dehumanized. Prison cells were often overcrowded with no room to sit or sleep. When it was time to send them off to the camps, they were crowded into cattle cars with no sanitary facilities, poor ventilation, and meager food supplies. The journey to the destination camps in these conditions could last for weeks or even months.

Those who lived through the trip—and many died along the way—often found themselves deposited in empty wastelands of tundra, swamps, dense forests, deserts, or the frigid expanse of the Arctic Circle region. They would have to forage or hunt for food and, with few or no tools, build living quarters. Then they were set to work clearing timber areas, mining for metals, minerals, or precious gems, or constructing new industrial cities out of the barren terrain.

Among the most horrific destinations were the gold fields of Kolyma in eastern Siberia. Prisoners would be shipped by rail to the Pacific and then crammed into practically derelict vessels for the sea journey farther north. The death toll from the sea journey and the harsh conditions of the mines was especially high.

In the camps there was a system of rank, privilege, and power. The camp administrators often took advantage of their positions and isolated locations to rule their domains as if they were kings and princes whom the prisoners were to grovel before and mindlessly obey. The guards were also likely to brutalize and exploit the prisoners for their own purposes and benefit. Among the prisoners there was an ordering of power, privilege, and control. Informers were everywhere.

Death in the camps took many forms: prisoners were worked to death, starved to death, beaten to death, shot for disobedience or rebellion. One inmate later wrote, "Death in the camps possessed another terror: its anonymity. We had no idea where the dead were buried, or whether, after a prisoner's death, any kind of death certificate was ever written . . . . The certainty that no one would ever learn of their death, that no one would ever know where they had been buried, was one of the prisoner's greatest psychological torments."

Rape and prostitution, both heterosexual and homosexual, were part of camp life. The children born and raised in the camps were treated no better than the adults. Applebaum explains: "Infant epidemics were legion. Infant deaths were extremely high—so high that they were, as the inspectors' reports record, often deliberately covered up. But even those children who survived infancy had little chance at a normal life inside the camp nurseries."

When they were older, they were usually transferred to state orphanages that "were vastly overcrowded, dirty, understaffed, and often lethal." About 30 boys would live in a 12-square-meter room. One report stated that 38 boys shared seven beds and also said that 140 children shared one cup. Starvation was not uncommon in places.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There were rebellions and revolts—all crushed during Stalin's time. But following Stalin's death in March 1953, there occurred larger and more successful revolts. Informers would be murdered. The prisoners went on strike, most notably in the region around Vorkuta and Norilsk. But these, too, were finally put down, with hundreds of leaders and activists in the rebellions rounded up and shot.

However, the system never returned to the full madness of Stalin's time. And in the years following Stalin's death, large numbers of Gulag inmates were released. For the first time, their stories of life in the camps became known to virtually everyone else in the society, as the returnees told their tales to relatives and friends around the dinner table in hushed voices. But many did not want to hear out of fear or indifference.

Applebaum takes the story of the Gulag through the period of the dissident movement of the 1960s and 1970s to the end of the system in the 1980s. As part of her summary, she attempts to estimate how many people actually went through the Gulag system. She comes up with a total of 28.7 million people, out of which millions died as a result of the system of forced labor. This, of course, does not include the millions of others who were murdered by the regime during the years of Soviet power as part of the purges or as "enemies of the people."

In the short space of this review, it is impossible to do justice to the detail and care with which Applebaum recounts the subjects mentioned, as well as many others. It is a moving and serious account of one of the most evil aspects of Soviet communism in the twentieth century, certainly worthy of having been awarded the 2004 Pulitzer Prize in General Non-Fiction. □

Richard Ebeling is president of FEE. An earlier version of this review appeared in the September 2003 issue of Freedom Daily, *published by the Future of Freedom Foundation, (www.fff.org).*

Diversity in America: Keeping Government at a Safe Distance

by Peter H. Schuck

Belknap Press • 2003 • 444 pages • $35

Reviewed by Peter W. Wood

According to *The New Shorter Oxford English Dictionary*, a blastula is "a structure, frequently a hollow sphere, formed by the cells of an embryo after cleavage of the ovum and before gastrulation." Gastrulation, in turn, is "inward migration of the cells of the blastula." I looked this up after reading the second paragraph of Peter Schuck's *Diversity in America*, which explains: "Like a blastula of cells undergoing mitosis, American society constantly proliferates new divisions and differentiations. Some of this merely proliferates the familiar, reshuffling old decks, but much of it creates unprecedented forms of social life."

I'm fond of metaphors that tease an audience into an unexpected way of looking at a subject, but Schuck's image of the mitotic blastula fails the test. A good sign is that he introduces a second metaphor, reshuffling old decks of cards, to explain the first. Then he blots out both metaphors with a third by asserting that this gin rummy-playing embryo is also an originator of "unprecedented" forms of social life.

It is, of course, not too hard to extract the basic idea: America is getting more diverse. The colliding and contradicting metaphors, however, do nothing to advance the idea and even less to entice the reader. This is not a small fault in a book that aims to win over people to a series of contrarian positions on public policy. Nor is the mutant blastula an isolated instance. Much of Schuck's writing is awkward, and some of it is downright painful.

Schuck does have some important things to say. His chapters on immigration (4) and judicial attempts to desegregate neighborhoods (6) are excellent tours through rough terrain. His chapters on affirmative action (5) and religion (7) are less illuminating but still worth the hard slog of Schuckian prose.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

That slog has been kindly overlooked in a series of generous reviews that have celebrated Schuck's middle-of the-road sensibility. He generally endorses "diversity" as a social ideal while castigating some of the ways in which courts and the government have sought to promote it. But I wonder what it means when a supposedly major statement on a key public-policy matter issued by a prestigious university press is written in a fashion bound to be impenetrable to anyone outside the policy elite.

Through most of his book, Schuck, who is the Simeon E. Baldwin Professor of Law at Yale, looks over his shoulder at what his colleagues on the academic left will make of his points. This I think explains the convolutions of his argument as well as his coagulating imagery and overqualified sentences. In this sense, *Diversity in America* pays a high price for entrée into the salons of Cambridge and New Haven. By striving so hard to achieve respectability in those quarters, Schuck has written a book that is unlikely to enlighten most others.

That's too bad because some of Schuck's points are surely right. He argues, for example, that the value Americans place on diversity depends in large part on its "provenance." Diversity that ensues from individuals making their own decisions is often *felt* to be enriching. But diversity that results from stage managers attempting to arrange society according to their own lights of the right proportions of ethnic groups, classes, and sexes is experienced as an unwelcome imposition. And Schuck accurately registers that the "ideal" of diversity is new and not, as some of its proponents pretend, an abiding principle of American life.

Sadly, Schuck never really comes to grips with the rise of diversity as an ideology. He acknowledges and even insists that the facts of social diversity are one thing and the belief system something else. But this distinction frequently disappears when he comes to specific cases. The two meanings bleed together and the attentive reader is hard put to decipher the argument. Do the courts in the Mount Laurel, Chicago Housing Authority, and Yonkers housing cases care about demographic realities or conformity to the crudely drawn categories entailed in the *doctrine* of diversity?

Schuck makes a fateful mistake near the beginning of the book, where he insists that diversity is a *unified* subject: "I define [diversity] as those differences in values, attributes, or activities among individuals or groups that a particular society deems salient to the social status or behavior of those individuals or groups."

But just as all the people in Cincinnati named "Charles" are not the same person, "diversity" is not one thing. It is a sprawling collection of sentiments and slogans often aimed in contradictory directions. *Diversity in America* suffers from treating this junkyard as though it were a college seminar.

Like a blastula undergoing mitosis—this book might have been better left to gestate until it was really ready for the outside world. □

Peter Wood is a professor of anthropology at Boston University and author of Diversity: The Invention of a Concept.

The Rule of Lawyers: How the New Litigation Elite Threatens America's Rule of Law

By Walter K. Olson

Truman Talley Books/St. Martin's Griffin • 2003/2004 • 341 pages • $25.95 hardcover; $14.95 paperback

Reviewed by George C. Leef

Know any good lawyer jokes? They're quite abundant and often tasteless, reflecting the widespread opinion that the legal profession is composed mostly of unethical rogues who say anything and do anything to squeeze money out of people. It certainly is not true that the entire legal profession consists of scoundrels practicing what amounts to legalized extortion, but those lawyers who do, deserve all the opprobrium of the nasty jokes—and far more.

It is that rogue element of the legal profession that draws Walter Olson's fire in *The*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Rule of Lawyers. Olson, a fellow at the Manhattan Institute, has come to specialize in the predations of tort lawyers. He previously wrote *The Litigation Explosion* and maintains the website Overlawyered.com. Olson writes here about the most egregious and damaging instances of litigation run amuck and how the plaintiffs' bar uses its enormous political muscle to prevent any sensible change. There is plenty of material here for dozens of lawyer jokes, but reading the book won't bring any smiles, except at the author's sardonic wit.

Consider the shameless attempts (usually successful) at extorting money from companies that had nothing to do with the injuries that the lawyers' clients claim to have suffered. In the frenzy of asbestos suits, for example, the lawyers went after firms that hadn't had any connection with the production or sale of the asbestos that might have caused illness in workers. How could that be? Because the defendant companies had acquired firms that had at one time sold products containing asbestos. Olson cites the case of Crown Cork and Seal, which in 1963 had acquired a smaller firm that made, among other things, a line of asbestos insulation. Crown sold off that line three months later, but that was enough exposure to trigger a swarm of suits years later. Crown was nearly bankrupted by hundreds of millions in damages as lawyers went almost to the bottom of the firm's pockets.

If the trial bar does not care about actual fault, it is equally unconcerned with actual injury. In their eagerness to sue on behalf of some class of "victims," lawyers often recruit individuals whose injury or illness is speculative or imaginary. A jarring example is a suit against Toshiba for $2.1 billion over a minor malfunction that *might* occur in one of its laptop computers. No Toshiba owner had complained about it, but no matter. Enough people who had purchased that model were recruited to constitute a class and the case proceeded in a friendly Texas court. Toshiba decided to settle; the deal gave the owners of the allegedly defective computers coupons good for some money off their next ones, and the lawyer who dreamed the suit up walked away with $147 million.

Olson gives us many such examples where the shield of the justice system has been turned into a sword for the expropriation of stockholder wealth. In the hands of the trial lawyers, it often becomes an *injustice* system.

Truth doesn't matter any more than fault or injury. Tort lawyers, the author shows, routinely coach witnesses to lie, pay off "expert witnesses" to give the desired testimony, and use "junk science" evidence.

What we have on the whole is a huge transfer of wealth from corporate stockholders to people who, if they were harmed at all, receive far more than the amounts that would cover their damages, and to lawyers who go from being merely rich to superrich with the fees they collect. The lawyers have created a new kind of entrepreneurship, but it doesn't entail the production of value. Instead, it consumes resources in a great negative-sum game. Besides the unjustified expropriation of stockholder wealth, the lawyers' system often has unanticipated side effects, such as the unavailability of silicone for medical products following the destruction of Dow Corning and other manufacturers in the great stampede of suits over silicone breast implants.

One reason why bogus tort cases do so well is that lawyers can file them almost anywhere. They always choose sympathetic state courts where the judge is anything but impartial and the jurors want to "send a message" to business with enormous damage awards. Olson explains that the legal system wasn't supposed to work that way. In suits between parties from different states, the case should be heard in federal court. The lawyers have cleverly found ways around that restriction, however.

Olson suggests several remedies, but he isn't optimistic that anything will be done to stop the feeding frenzy. That is because the trial lawyers recycle a good portion of their booty into politics, supporting candidates who will protect their operations and often using the dirtiest tactics to oppose any candidate who talks of legal reform.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Rule of Lawyers is a well-researched and deliciously written exposé of a serious national problem. □

George Leef is the book review editor of The Freeman.

The Language Police: How Pressure Groups Restrict What Students Learn

by Diane Ravitch

Knopf • 2003/2004 • 232 pages • $24 hardcover; $13 paperback

Reviewed by Martin Morse Wooster

In the endless debates over political correctness, champions of PC like to argue that their foes exaggerate the harm it causes. If you study the issue closely, you'll find that political correctness is not as bad as you think it is—it's much worse.

Diane Ravitch found out this unwholesome truth in 1998. A prominent education historian who is now a fellow at the Brookings Institution, Ravitch was asked to serve on a Clinton administration committee that was preparing a voluntary national reading test for fourth graders. The tests were never implemented because of fear that they would result in a mandatory national curriculum. But as Ravitch worked on the standards, she found it curious that certain sorts of stories were no longer considered appropriate for children.

One story was about how owls live. The reviewers said that, since owls were sacred to Navajo Indians, they were no longer allowed in textbooks. Another story about a blind mountain climber who climbed Mount McKinley was outlawed because it suffered from "regional bias." Children who didn't live near mountains, the reviewers said, wouldn't understand the story. A third tale about the creatures who lived in a rotting tree stump nearly made it—until the author said the tree stump was like an "apartment house" for insects. The reviewers thought that this story would hurt the self-esteem of apartment dwellers.

Ravitch was outraged and decided to investigate. She found that since the 1970s, all textbooks have undergone "bias and sensitivity reviews" to eliminate material that anyone might consider offensive. In addition, for the past 30 years, questions on national exams such as the Scholastic Achievement Test have been subject to "differential item functioning," which eliminates questions that purportedly would give students higher scores because of their race or gender.

Ravitch asked textbook publishers to send her examples of bias and sensitivity reviews. Most refused to comply. But she was able to obtain some of these reviews from smaller publishers, and some documents became available in a 1980s Tennessee court case. From those materials and her own analysis of history and language textbooks, Ravitch has produced a powerful indictment of American textbook publishing.

There are few big textbook publishers, and most of them produce textbooks designed to appeal to the two biggest semi-competitive markets: California and Texas. "Liberals" largely dominate the textbook review process in California, while the religious right has some say over how textbooks are chosen in Texas.

Textbook producers (most are written by committee) try to appease the complainers by eliminating anything that would offend anyone. The religious right is somewhat appeased by elimination of any references to evolution (including all dinosaur references) and Halloween. But the left gets substantially more say through their power to cleanse texts of anything they consider racist and sexist.

The resulting books are politically correct—and extremely boring. Children read vapid literature textbooks, Ravitch argues, and decide that reading is far less fun than movies or television. They look at history textbooks, filled with names, dates, and snappy stories, and decide that history doesn't matter. "With the teenagers' usual ability to spot a scam," Ravitch writes, "they know that much of what is taught to them is phony and not worth remembering."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"Censorship in the schools, whatever its purpose, is censorship," Ravitch concludes. "It would be abhorrent to those who care about freedom of thought, to those who believe that minds grow sharper by contending with challenging ideas."

Ravitch offers several ways parents can fight back against the language police. She offers in an appendix an annotated bibliography of children's books worth reading, compiled with the assistance of children's literature specialist Rodney Atkinson. The list, including such classic writers as Emily Dickinson, Henry Wadsworth Longfellow, and Robert Louis Stevenson, is one all parents will find interesting; homeschoolers should find Atkinson and Ravitch's recommendations particularly useful.

The reforms Ravitch proposes—opening up the textbook-adoption process to competition, encouraging teachers to spend less time on textbooks and more time studying original (and uncensored!) texts—would improve matters. But the dominance of the bias and sensitivity reviewers is also a powerful argument for school choice, since the triumph of the language police is only possible in a centralized, bureaucratic state system where there is no diversity in what students learn. Competition in textbooks would be good; competition in schools would be better.

The *Language Police* is a powerful and important book that provides more reasons why government schools are in trouble. □

Martin Morse Wooster, the author of Angry Classrooms, Vacant Minds, *reviews education books for the* Washington Times.

EXPERIENCE AN INTERNSHIP AT FEE:

EXCITING OPPORTUNITIES YOU WON'T FIND ANYWHERE ELSE

As an intern you will play an integral role at the Foundation and do real work in areas including operations, development, marketing, research, and outreach. FEE interns also have the opportunity for in-house seminars on history and economics. As an intern you will have full access to our extensive library featuring outstanding works on the literature of freedom and its history. In addition, interns are encouraged to attend and participate in our lecture series, programs, and seminars.

Internship Stipend: A FEE internship offers a monthly stipend, free lodging, and full use of the Foundation's kitchen and laundry facilities.

Location, Location, Location: FEE is situated on a seven-acre estate in Irvington-on-Hudson, just 22 miles north of Manhattan. The Irvington train station is only a brief walk from the Foundation, and a short train ride will take you to Grand Central Station in the heart of New York City.

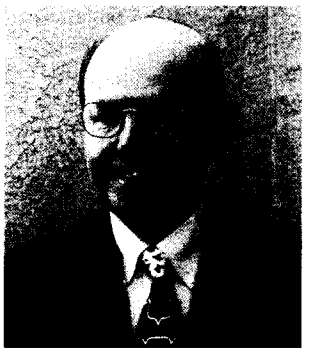
Available Internships: Fall: August/September to mid-December
Spring: Early January to May/June

Qualifications: Applicants must be in good academic standing and exhibit a positive interest in the principles of freedom, free enterprise, and classical liberalism. Along with an application and a one-page cover letter, each prospective intern must include one letter of recommendation and a short essay explaining his or her interest in the Freedom Philosophy.

For more information contact:
Ross Haan
Foundation for Economic Education
30 South Broadway * Irvington-on-Hudson, NY 10533
Phone: (914) 591-7230 Fax: (914) 591-8910 www.fee.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN
Ideas On Liberty
JULY/AUGUST 2004



The Public and the Unions

The Public Service Research Foundation recently commissioned a Zogby poll on national attitudes toward unions. The poll was released last March, and it contains encouraging news.

But first, some context. The table below shows market shares of union workers in the private sector and in the government sector, as well as government-union membership as a share of total union membership for 2002 and 2003. Charts I and II, on the next page, show the same data over the 21-year period, 1983–2003.

Private-sector union market share has steadily declined, while government-sector market share has fluctuated between 35 and 40 percent. Over the same interval, government-sector unionism has become an ever-increasing part of the American union movement. Soon more than half of all union members will be government employees although government employment is only 16.1 percent of total employment. As Leo Troy, an economics professor at Rutgers University, pointed out several years ago, unionism in America is steadily becoming little more than organizations of government employees whose principal interest is picking the pockets of private-sector workers, whether they are unionized or not.

In light of the changing nature of American unionism, it is interesting to see what the general public thinks of it, as indicated by the Zogby poll. John Sweeney, president of the AFL-CIO, can find some comfort in the poll. A majority of the public (54 percent) clings to the conventional, but erroneous belief that unions have been and continue to be helpful to workers who otherwise wouldn't have effective bargaining power. Moreover, in response to this question, "In general, do you approve or disapprove of labor unions?" 63 percent expressed approval and 31 percent expressed disapproval. It would be interesting to know if this general approval is different with respect to the private and the government sectors. My guess is that as government-employee unions become a larger share of total unionism, the unions' approval ratings will decline.

Freedom to Decide

There is much in the poll about which Mr. Sweeney will be displeased. For example, 73

Year	Government-Sector Union Market Share	Private-Sector Union Market Share	Govt. Union Members as Percent of Total Union Members
2002	37.8%	8.6%	45.6%
2003	37.2%	8.2%	46.4%

Source: Bureau of Labor Statistics

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Chart I

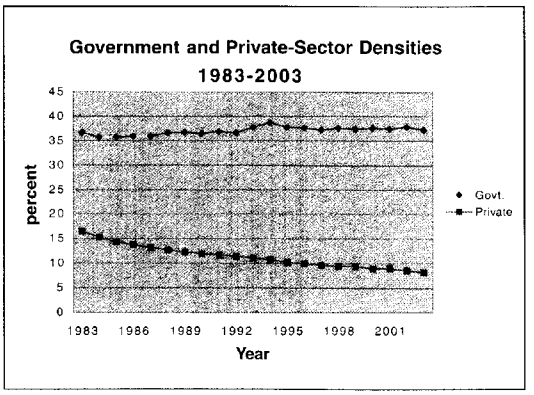
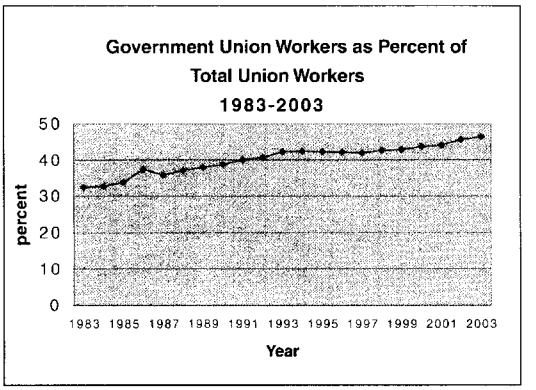


Chart II



percent of the general public and 54 percent of union members agree that "Individual workers should be free to decide for themselves whether or not to join or support a union, and nobody should be required to join or support a union as a condition of employment." So much for the malevolent idea of "union security" embodied in the National Labor Relations Act (NLRA). The poll suggests that the national right-to-work bill now in the Congress has overwhelming public support.

Furthermore, 51 percent of the general public, but only 28 percent of union members, agree that "Even where a union represents the majority of the workers, individual workers should be free to make their own deal with the employer." Exclusive representation (monopoly bargaining) is at the heart of the NLRA. Without exclusive representation, union security becomes moot. If unions represented only their voluntary members, no workers could receive union-generated benefits for free and the whole case for forced payment of union dues would collapse. The fact that a majority of the public opposes exclusive representation is good news indeed. Perhaps now is the time for classical liberals interested in compulsory unionism to press this attack.

There is more good news in the poll. Sixty-three percent of the general public and 61 percent of union members believe that "Union members should not be required to contribute through their union dues to political or ideological groups with which they disagree." Because of a series of U.S. Supreme Court decisions, workers who are not union members but who, because of union security, are forced dues payers, may already opt out of paying the portion that is used for political and ideological purposes. The Zogby poll indicates substantial support for extending this right to union members. Of course, without exclusive representation this issue, too, is moot.

Should unions have to give detailed reports to their members and to the general public about how they spend their money? The Securities and Exchange Commission requires corporations to submit such reports, and the Department of Labor has recently imposed some regulations of this sort on unions. Mr. Sweeney has vigorously protested any such requirements. Yet 71 percent of the general public and 71 percent of union members in the poll agreed that "Government ought to do more to protect union members from corrupt union officials. Unions should be required to give detailed reporting of union finances to discourage abuse."

I would like to think that these poll results are due to the many columns I have written in this magazine decrying compulsory unionism; but it is much more likely that they are simply a reflection of Americans' basic sense of justice. Too bad American politicians are so eager to sacrifice justice on the altar of special-interest politics. □

Charles Baird is a professor of economics and the director of the Smith Center for Private Enterprise Studies at California State University at Hayward.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED